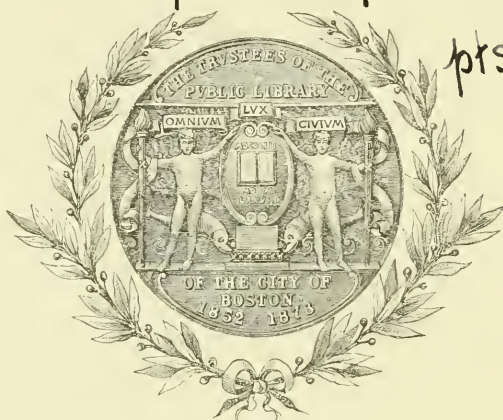


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POST-WAR ECONOMIC POLICY AND PLANNING

HEARINGS

BEFORE THE

SUBCOMMITTEE ON HOUSING AND URBAN
REDEVELOPMENT OF THE

SPECIAL COMMITTEE ON POST-WAR ECONOMIC
POLICY AND PLANNING

UNITED STATES SENATE
SEVENTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO

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(Extending S. Res. 102, 78th Congress)

A RESOLUTION CREATING A SPECIAL COMMITTEE
ON POST-WAR ECONOMIC POLICY
AND PLANNING

PART 14

HOUSING AND URBAN REDEVELOPMENT

FEBRUARY 6, 1945

Printed for the use of the Special Committee on Post-War
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POST-WAR ECONOMIC POLICY AND PLANNING

TUESDAY, FEBRUARY 6, 1945

UNITED STATES SENATE,
SUBCOMMITTEE ON HOUSING AND URBAN
REDEVELOPMENT OF THE SPECIAL COMMITTEE ON
POST-WAR ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10:30 a. m., in room 312 Senate Office Building, Senator Robert A. Taft (chairman), presiding.

Present: Senators Taft (chairman), Radcliffe, Buck, La Follette, and Chavez.

Senator TAFT. The committee will come to order.

Senator Ellender and Senator Radcliffe have stated they will be here shortly.

The first witness is Rt. Rev. Msgr. John O'Grady, secretary, National Conference of Catholic Charities.

STATEMENT OF RT. REV. MSGR. JOHN J. O'GRADY, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

Monsignor O'GRADY. Mr. Chairman, I am secretary of the National Conference of Catholic Charities.

Now, when it was proposed by certain people that I should appear before this committee for the first time, I thought that I would appear in my capacity as an individual because I felt that in that capacity I could speak from considerable experience, long experience and close contact with this housing program in various cities of the United States, and that I could also tell about the contacts of our agencies with the program all over the country.

I have had very close contact with this movement just as I have had with other like movements in the United States over a long period of years.

I thought, however, that it might be more desirable if I could speak on behalf of a group of people who were interested in housing. Therefore we discussed this matter among the members of a very representative committee of Catholic charities in the United States, and they felt the same about the program as I did, and I thought it would be well for me to appear before the committee in their behalf.

And then, I also have discussed the matter with a bishop, who represents the administrative committee of the Catholic hierarchy in dealing with these problems, and I am appearing with his approval also. So I am not appearing in my individual capacity.

Now, those of us who are interested in the work of the Catholic charities all over the country, and in Catholic social service, are naturally very much interested in this program. Quite a number of our executives in Catholic charities have been members of housing authorities. Quite a number have been members of committees and served as chairmen of committees that promoted this low-cost housing program in various communities in the United States.

We are interested from the standpoint of areas in American cities affected by those programs, because we are concerned about developing conditions that may make decent family life possible.

We are interested in the type of thinking that enters into the type of program, because in the beginning we were somewhat critical of some of the projects developed under the W. P. A. because we felt they represented too much of an apartment-house mentality which catered to very small families and we did not feel that they could serve the needs completely of the people they were designed to serve.

But we find recently that many of our objections in that matter have been met.

We are interested, of course, in the process of deterioration that has been going on in the slum areas all over the country because our church and our agencies have developed a great many institutions in those areas.

A student of mine a few years ago examined the whole central area in Cleveland and made an analysis of all the institutions and organizations in that area.

Now, we find the areas deteriorating more and more, so that we are naturally concerned about the future of those areas just as other groups in the United States are.

And we would like to join with other groups in thinking out this program. We feel that it is a very complicated problem and we feel that we still have a limited body of experience and that we need to approach it honestly and objectively.

Now, I wanted to say in passing that in dealing with the size of the unit we have been very much concerned, and I want to say this for the record on behalf of our group in the United States. We believe that the present limitation of \$4,000 a unit is too small. I think it is all right to have a limit on the cost of rooms but we feel that these units should serve the need that they are designed to serve and not just some ideas of people who frequently live outside those areas and have not had very much contact with the slums.

Senator TAFT. All of the laws passed have dealt with limited cost of units and it seems to me one of the things we should do in future legislation is to change the cost to the room cost or the room rent. There might also be some over-all total limitation on unit cost.

Monsignor O'GRADY. I think that is sound. I just didn't want to run the risk of overlooking that because I know it is a matter on which our people all over the country have very keen feelings.

I have read a good deal of the testimony that has been presented here and I didn't want to overlap or duplicate and I didn't want to enter into too many of the problems, but I want to base my testimony on my own personal observations throughout the country.

I have had a good many contacts with this housing program throughout the country. In the short time I have had to prepare for this hearing before the committee I did not have a chance to get

together all the notes in my diary, but I thought that I would base my testimony on observations of four housing projects in Cleveland, Ohio, namely, Cedar Apartments, Valleyview Homes, Lakeview Terrace, and Woodhill Homes; three housing projects in New York; namely, Williamsburg Houses and Red Hook Houses in Brooklyn, N. Y., and the East River Houses on the upper East Side in New York City; Laurel Homes in Cincinnati, Ohio; the Jane Adams Homes and the Cabrini Homes in Chicago; Yamacraw Village in Savannah, Ga.; Ramona Houses in Los Angeles, Calif.; St. Thomas Street, Magnolia Street and Lafitte Avenue projects in New Orleans, La.; the Alazan Courts in San Antonio, Tex.; the Old Harbor Village and Old Colony Homes in South Boston, Mass.; the Yellow Mill Village and Marina Village in Bridgeport, Conn.; Clinton-Peabody Terrace and Carr Square housing projects in St. Louis, Mo.; and Brand Whitlock Homes in Toledo, Ohio.

I visited a number of those projects several times and I just wanted to bring out some of the points that came to my attention in visiting the projects, in talking to people in the areas, talking to social workers, talking to our pastors, because I have had many conferences with our pastors in those various areas.

Sometimes I have met with some of the groups. In Cleveland I have met as many as four or five times. I have been all around the projects and have tried to catch up with some of the gangs in the areas, but have made about as much progress as most other people have.

Those who are engaged in the administration of housing programs were aware that public low-rent houses were designed to improve the standard of life of families who had lived in the slums. Of course, they didn't always realize how difficult this problem was in practice.

In the course of time I learned what a housing project really does in bringing together in one area 200 to 300 or 500, and sometimes 1,100 underprivileged families from the slums.

I don't think any of us has realized what that really means. Sometimes the area is very limited and sometimes one wonders whether they are not still too congested.

Of course, once in a while you wonder whether the city ordinances are being observed. I don't think we have anything to conceal on this program, and I don't want to try to conceal any of my findings, because I think we must deal with the facts. But I visited a project not very many days ago and I think that project which has been built is violating the ordinances of the city.

I think two or three families frequently live in the same apartment. That is what happened in the slums. That is poor administration.

That is not the fault of the program.

Now, these families come to these brand-new homes with all modern facilities. A Cleveland school teacher told me recently this change did something to them. This is the bright side of it.

Now, the children in the school feel they are all on a basis of equality.

A mother I saw recently in the office of the same project expressed the same thought. She said, "I never thought we would find ourselves in such a nice house."

Some of the original promoters of public low-cost housing, and I was among them, were rather utopian in our expectations. We thought we were suddenly going to lift the standard of life of thousands of families. Those of us who have been engaged in other work

realize that you don't work miracles. That does not mean that we don't keep up our interest in change and endeavor to improve social conditions.

Those of us who have been interested in old age pensions and unemployment compensation realize that we have not yet reached utopia, but we have made advances. And the same is true of housing.

We could pick a lot of flaws in the housing program, but I still think we have made progress.

Some of the homes and apartment houses are still dirty and filthy. But when you think of the number of families that you brought into those homes who have been living under the most primitive conditions for years and years, you cannot expect to change those families all overnight.

Take the Red Hook project in Brooklyn, some 1,100 units. With that project I think there has been considerable improvement. I wouldn't say it has reached utopia, but they took all these families from the lower east side of New York City and, of course, you can't expect perfection. Some of them really want to go back and they return sometimes to the lower east side to do their shopping. I found that situation in lots of projects throughout the country. It is a new situation for them.

And there are other things that arise that I shall refer to later.

Of course, there are some administrators in the housing field.

Now, these folks were picked up from here, there, and anywhere, from other professions, and we didn't have any experts in administration in this field. We had to make them. And some have done a brilliant job. I think that the majority of those with whom I have been associated have done a brilliant job.

And I am not depending upon their own word. I don't accept their own word. I move around the community and find what the community thinks of them and get a pretty good picture of what they are doing, and I have been impressed by some of the things they have done.

For instance, I have been very much impressed by the contribution that the Cedar Apartments project has made in Cleveland to a very large slum area. That area presents a great many difficult problems, problems of race relations. We had a threatened riot in that area a few months ago.

I think that anybody who studied the method of handling that situation, the people in the housing project, what they have really done in helping in the program of race relations in that area, could not fail to be impressed by it.

I think they have brought a leadership into many of the slum areas that they never had before.

I think the same is true of the Valleyview project in Cleveland. I think it is true also of the projects in San Antonio and New Orleans that I have seen. It is true of the Jane Adams Homes on the west side of Chicago.

That district has had a new awakening, and I think a new type of leadership is coming up in that district that is working out their problems in their own way.

And they have participated in that housing project. And that is another thing that strikes anybody who studies this situation for the first time, the participation by the local people in the project itself.

That is not universal. I could point out projects where the leadership has not done very much.

But I think we have to take the over-all picture just as we do in appraising any social reform.

Now, as I pointed out, we expected too much from these in the beginning and I want to further emphasize that the problem is exceedingly difficult. The bringing together of so many families into one area creates serious social problems.

In this whole program it is important to emphasize the social point of view.

This is not just a matter of building houses. I think if you just take these families that come into these housing projects and just build houses for them, the houses would become new slums within a short period of time without a social program.

And that is happening in a great many projects constructed under title VI.

I tried to make a comparison between one of the projects erected under low-cost housing, and erected under title VI, and at least one of the projects erected with a practically 100 percent loan will be the worst slums in Bridgeport.

You have to have a social program in connection with these houses because you get all the problem families and sometimes the problems are new problems.

But the fact that you bring them together into one group brings those problems out into the light, as it were, so that everyone can look on and see.

In many cases one would get the impression that these housing projects have become centers of gang activity. You have had gang activity in those districts for years and years, and it has been accentuated in recent years.

And then if one gang makes a raid on another gang that is occupying the housing recreation center at the time, that creates lots of publicity. You have had that for several years past, but the housing project seems to bring it out in the open. That is all to the good, because the community will face the problem.

One of the troubles in dealing with gang life in American cities at the present time is that nobody catches up with them. Of course, when they feel the police are after them they keep under cover for a while, but that doesn't mean that they catch up with them.

I think the housing projects have helped to at least give us a measure of confidence in catching up with the gangs.

Now, when I had my first contacts with these housing projects I wondered whether they were not making a mistake in having too much of too specialized social programs of their own. I found them having their own recreation programs, their own service programs, and then I remember one project had a community organizer.

I kept on raising the question as to why they had to have a specialized program in those areas. And I was not entirely satisfied why they needed a specialized program and the more I have seen of them the more I am convinced that they do need some sort of specialized program because of the character of the people and the character of the projects. Otherwise I don't think they are going to attain their objective.

That is the reason, I think, why so much of the discussion of just subsidizing private initiative is beside the question. I think if you have a social group that takes this up as a social program, that is one thing. But if you want to do the thing that we have done under title II of the Housing Act, to have a guaranteed loan or subsidy, that is a different story. Then you are dealing with people who are just building houses.

It seems to me that is not sufficient. Just building houses, even with rent at a rate that the lowest income groups can pay, I don't think meets the problem. You have to have a social program in dealing with these people.

You are not dealing with the type of person in that group who is capable of paying an economic rent. That person can usually work things out for himself. He doesn't need so much guidance, so much help, so much leadership as the people that I find in the housing projects.

Now, one of the questions constantly coming up in the projects, a question that so many of our pastors in our churches keep on raising all the time, is the question of the turn-over of the people.

For instance, a pastor in the area of Lakeview project in Cleveland the other day said to me, "We have been turning over about 25 percent a year."

"Now," he said, "it is very difficult to do much with people who regard themselves as transients. Now, all these folks of this project of which 250 families belong to my church, regard themselves as transients. They don't feel that they have any stake down here. They are moving out pretty steadily, some because they don't want to pay the grade of rents."

You know, it takes time to get people to understand that they can afford to pay the rents. It is not sufficient simply to give them a little more money. If they have been paying \$18 a month for a slum house in which they lived with another family in one room, it is not easy to get them to realize that they should pay \$36 or \$40 even after they can afford it.

So some of them are moving out of that project and I found the same thing in the two projects in St. Louis the other day, and in Cincinnati and in New Orleans. They move out.

Of course, some move out to buy their own homes and I want to bring that point up in a moment.

You have to deal with these 250 families as though they were 250 many separate individuals. And I have heard that all over the country.

In some places the project managers tell me they have made some headway with the children, but I think probably they are a little optimistic. I don't find that attitude universal.

Of course, whether or not that situation will continue after the war is another story. After all, the high wages now may make a difference.

And I noticed in one of the St. Louis projects last week, the majority of the people on that project now are from out of town. There has been a shift in the past few months and that created a good deal of feeling in St. Louis. Why is it that all these outside families should profit by these homes and the families of St. Louis who are living in the slums did not have a like opportunity?

Senator TAFT. Was that because they were war workers and had priority?

Monsignor O'GRADY. Yes; war workers. You see, the war workers have first choice, as I understand it. At least, I find them in there.

I should not answer the question about the rules, but I am telling you what I find. And then the wives of servicemen; there are some of those in there. Not as many as I found in other projects. There are a great number in Laurel Homes in Cincinnati and a great number in all projects in Cleveland, and in the New York City projects and in New Orleans. Not so many in some other places.

But that turn-over is a question. It is a problem that needs to be studied.

Of course, I have explained to the people—I had to explain to this pastor in Cleveland—why that was. I told him that it was pretty much the attitude of Congress, that these homes were designed for those who could not pay economic rents and that after all the real estate groups and the builders all over the country were very much concerned about interfering unduly with private enterprise.

We are all concerned about the same thing, of course. We believe in democratic institutions. And after all if they get to a point where they could pay an economic rent they should move out.

That is a good principle, but you see what it means in the administration of a project.

Now, I found this in various conferences I had with pastors of our churches all over the country. Quite a number of them emphasized the fact that their experience in these projects was that large numbers of families were encouraged to go out and acquire their own homes, and quite a few of them felt that was the proper thing to do; that is what our families want. They want to own their own homes and they ought to be encouraged to own them.

That is another side of the picture, but this matter of turn-over needs a great deal more attention from the standpoint of upbuilding the families. After all, the basic problem we are concerned with here is what this rehousing program does to these families and I think that is a very important consideration. It is probably more important than a lot of these other things to which more attention has been given.

I think that is one of the points that has been coming up constantly in the projects.

Now, there is another point that stands out all the time. People ask me what is going to become of the slums all around us. I remember in Savannah right across the street from this beautiful project in the downtown area to which I have reference in my notes, they have some of the worst slums I have ever seen. And they keep on asking, "Are they going to stand here, deteriorating and becoming worse and worse all the time?"

You have got that situation in New Orleans, although a large part of the center section of the city has been improved very greatly by this housing program and everyone in New Orleans feels a great contribution has been made not only to family life in New Orleans but to the whole city.

I happened to be interested recently in some delinquent boys in what is still a slum area on the edge of the low-cost area, and really we had to talk the families into moving out because you couldn't send the boys back to the families living under the conditions in which they were living.

People in New Orleans ask, "What is going to become of these slums?"

A few weeks ago one of our pastors in the central area of Cleveland said, "This project has done pretty well. What is going to become of this entire area around here?"

They keep on asking the question because sometimes the slum is all around and the housing project is like an oasis in the desert.

But that is not a question for me to answer. That is a question for the Congress of the United States. I may have some notions about it, but I think you are endeavoring to get together all the ideas you can possibly find, and I hope these ideas will be based on reality.

Now, these housing people, of course, as I have pointed out already, find themselves in a new situation. They find themselves with all these problem families. They find themselves with a very tough law-enforcement problem. That is one of the toughest problems that I have run into in housing.

You have a considerable destruction of property. I was rather disturbed about that first when I saw evidences of it, but again I have to keep in mind the previous condition of the families, and I don't think anybody can expect too much. But the problems of law enforcement have been quite serious. Sometimes the police department does not feel any too great a responsibility for policing the project.

Senator TAFT. What kind of crime do you mean?

Monsignor O'GRADY. Destruction of property, a lot of destruction in some of the projects. I mean destruction of property.

Senator TAFT. You mean destruction of the equipment?

Monsignor O'GRADY. The equipment of the project; yes. I have already referred to gang fights.

I visited one project in New York City one evening last summer—this is not universal by any means—and I found the beautiful center was closed up, nobody there, and here were these young men all over the place tearing up the benches.

Senator CHAVEZ. Were they inmates of the project?

Monsignor O'GRADY. Oh, yes. That was true of all agencies also in the neighborhood.

It is an easy-going attitude we have gotten into with regard to summer use of our facilities in the cities. We felt everybody could close up for the summer and the project just fell into the pattern of the communities.

I won't find too much fault because I think on the whole they have made fairly good use of the facilities at their disposal. You must not be too much disturbed when you find a project that has 500 or 600 young people and you go around to the center at night and find only 100.

I happened to visit that project several times, and I find that they are improving, but I don't expect that they will solve their problems overnight. That problem of law enforcement, however, is serious.

In some projects there is a rather serious destruction of property, breaking of shafts in elevators, for instance.

Again, you have to consider the background. That is not typical.

I am trying to emphasize the enormous difficulties that these project administrators face. It is not a simple problem, and it is a problem that probably was there all the time, but now it is coming out in the light of day. I don't think the projects have created these problems.

I want to lay my cards on the table and describe the situation because I feel that is what I should do.

I believe in this program, and those I represent believe in it. In the United States private enterprise has not been able to reach this group, and we cannot allow this process of deterioration to go on in our cities. We cannot allow this break-down of family life to go on.

No one closely identified with these things thinks it is perfect, but when alternatives are presented we have to study them in the light of actual situations. We cannot be carried away by a lot of interesting theories.

I have heard it suggested, for instance, by people around this town, in discussing these families who cannot pay economic rents, "Why not have a needs test for them?"

I have not found anybody who is interested in welfare who would want to administer it. The workers with whom I am associated believe the same thing. They think the best way to evaluate a needs test is to find out how it affects the attitudes of people who have to go through a needs test.

Some months ago I visited some old folks who were receiving old-age assistance in Detroit, and I was warned that I would have to watch my step, that here were people who had been through a terrific ordeal, whose property had deteriorated. They were in a slum area and for the first time in their lives they had to go to a public agency and admit that they could not work out their own salvation, and they had to answer questions as to whether or not they had bread in their cupboard and whether they had a few dollars left. In other words, they had to go through all the things that a needs test involved.

I don't believe that is the way to approach a great social problem. I don't believe you can solve the problem for old age through a needs test, and I don't believe you can solve the unemployment problem by applying a needs test.

Senator TAFT. In housing, however, you have to find out what the income is.

Monsignor O'GRADY. I think that is true. Anyone will say, "My income is a fairly well-known thing." But that isn't what we identify with the needs test.

When you are taking a needs test you are fitting into the traditions of the poor law. I have dealt with the poor law all over America and I think I know something of the needs test as it is applied. The theory is one thing and the practice is another thing.

That is what I tell all these people who talk about public assistance. I say, "In New York City where you have articulate groups that is one thing; but when you get to the ordinary county of the United States that is different."

Of course, theory is grand.

Senator CHAVEZ. You are talking about the girl going to the kitchen and looking at the bread box?

Monsignor O'GRADY. I am talking about what it means. I have seen these things even in the States that are supposed to have very well organized programs.

I remember once in Vermont I tried to find the local selectman and I went over a good many broken-down bridges and had a fine time finding him and I said, "Why is it that it is so hard to find you fellows?" I said, "I have had the same trouble all over the State." He said, "That is the reason we were elected."

Senator CHAVEZ. You believe, then, that public housing should be extended, that we should go on with the program?

Monsignor O'GRADY. For the limited group of people who can't pay economic rents.

Senator CHAVEZ. And eliminate some of the surrounding slums while we are doing it?

Monsignor O'GRADY. I think they have to be eliminated. I think a large part of the building has to be done by private enterprise and effort. I think we have to consider too as to how private initiative can be stimulated like under title II of the Housing Act, as to whether or not their rates of interest may be too high for the ordinary wage earner.

We have got to think about making it a little more flexible for him so he is not thrown out of his house after he has paid for 5 or 6 years, because he happens to be out of work for 2 or 3 months.

Maybe it will be possible to make the period of amortization a little longer. All sorts of things can be done in encouraging housing.

I am simply referring to that because it is very closely related to this public program, and I think the public program ought to be continued and ought to be extended insofar as is necessary to meet what is left after we have done everything possible to stimulate private effort, and I would say also to stimulate cooperative effort.

I think we owe that to our society, to stimulate private effort and cooperative effort, too. I think that has been brought out by the testimony presented here by the representatives of the labor organizations.

Senator TAFT. Monsignor O'Grady, could you finish in about 10 minutes? We have a program here and there are other people waiting.

Monsignor O'GRADY. I think I have emphasized the important things that we have been thinking about in connection with this program, and I think that there isn't much that I have to add.

Senator TAFT. We will be very glad to put your statement in the record.

Monsignor O'GRADY. We have another statement that we prepared, a group of us, and it has not been reduced to final shape and I would like to have that in the record also if it is possible.

Senator TAFT. We will be very glad to put it in. Will you arrange to give it to the reporter now or later?

Monsignor O'GRADY. Yes, I will.

Senator TAFT. We are very much obliged to you, Monsignor O'Grady.

STATEMENT OF DOUGLAS WHITLOCK, PRESIDENT, PRODUCERS' COUNCIL, INC.

Mr. WHITLOCK. My name is Douglas Whitlock, and my offices are in the Shoreham Building, Washington, D. C. I am appearing as president of the Producers' Council, a national organization of manufacturers of building materials and equipment. The membership of the council includes 20 national associations representing manufacturers of building products, as well as numerous individual companies.

It is my intention to discuss the eight subjects indicated in Senator Taft's letter of November 27. First, however, I should like to point out that the Producers' Council was one of the first business groups

to begin studying ways and means of attaining a maximum volume of construction and employment after the war. Since housing is expected to account for about 40 percent of all new construction in the early post-war years, and since housing is one of the major problems confronting the Nation, the council has devoted a large share of its attention to this important subject.

Our planning for the post-war years started in 1942, with the appointment of a post-war committee. In November 1943, we announced our platform for post-war construction. I mention these dates as evidence that we have had the post-war housing problem under close study over a considerable period of time. In addition, the early announcement of our views has enabled us to obtain the benefit of counsel from most of the other branches of the construction industry, with the result that some of our earlier viewpoints have been modified and certain of our proposals have been strengthened.

We in the council are convinced of two facts regarding post-war housing. First, we know that the country never has been in a better position to meet its housing needs. Never before has the public been better able to finance residential construction, nor have mortgage funds ever been so plentiful. In addition, because of the relatively small amount of private residential building done during the last few years, home builders, architects, and others have been able to do a great deal of careful planning for their post-war operations.

Secondly, we know that the housing problem is not going to be solved automatically. Under favorable conditions, it is the belief of the council that as many as 950,000 to 1,000,000 new nonfarm dwelling units can be built annually, on the average, during the 5-year period starting 12 months after the end of the war. If that goal is attained, we will have built 500,000 more units than ever were built in any past 5-year period. Yet only part of the total need will have been met, since by the end of 1952 we will have needed approximately 10,000,000 new dwelling units to house families which had no home of their own before the war, new families formed since the war began, and families residing in obsolete and substandard dwellings. And I refer to nonfarm families only.

The need is vast; there can be no doubt about that. But if we are to fill that need after the war, both private business and Government must do a better job of planning than either has done at any time in the past. Without adequate advance preparation, we would fall far short of our housing goal, which is to enable every family to obtain a decent home.

I shall not attempt here to describe the steps which private enterprise is taking to discharge its responsibilities with respect to post-war housing, since the purpose of this hearing primarily is to consider the Federal Government's participation in the housing picture.

The first subject in which the subcommittee has expressed an interest is the way in which housing matters should be administered in the Government after the war. This matter has been widely discussed within the construction industry, over a period of time, and most of us seem to be thinking along the same general lines. In particular, there is complete unanimity in the conclusion that housing matters must receive the benefit of the best available thinking, planning, and administration, in Government and out.

There are some who believe that housing public works, and other construction matters, because of their great importance to the national economy, should be placed in a new Department of Construction with standing equal to that of the other Federal departments.

Although there is much to be said in favor of that proposal, we recognize that such a plan could not be put into effect quickly, with the result that such a department probably could not begin to function efficiently and smoothly in time to meet critical problems of the early post-war years. The idea has considerable merit and should be studied further as a development which might materialize later on, but it does not appear feasible at this time.

The primary consideration, for the immediate post-war years, is to take advantage of all the best experience and ability which can be made available in government for dealing with the four major phases of the housing problem.

These four phases are (1) the financing of private residential construction, (2) the administration of public housing, (3) fact finding and statistical services, and (4) research, both technical and economic.

In order that the construction industry may obtain the most efficient assistance from government in the all-important post-war period, the council recommends that each major housing activity be placed in the branch of government best prepared to assume responsibility for its specialized phase of the problem.

This policy is particularly desirable in the case of the governmental agencies concerned with the financing of private residential construction. The termination of Executive Order 9070 at the end of the emergency automatically will return the Federal Housing Administration and the Federal Home Loan Bank Administration to the Federal Loan Agency. Thus, the principal agencies dealing with housing finance would be coordinated in one agency together with the Reconstruction Finance Corporation and its related corporations which also deal with Government finance.

During the war, the F. H. A. and F. H. L. B. A. have been coordinated with the Federal Public Housing Authority under the National Housing Agency, which has been concerned almost exclusively with the programing and building of war housing. These are emergency functions which will not be needed when the war housing program has been completed.

After the war, coordination of the F. H. A. and F. H. L. B. A. with the other financing agencies of the Government again is desirable. The lending features of the G. I. bill of rights also could be included in the Federal Loan Agency. Thus, all lending, insuring, and discounting agencies dealing with housing would be combined in one organization specializing in financial matters.

We believe that the branch of the Federal Government which will be responsible for any Federal public housing which may be needed after the war, and which will administer the present Federal public housing program, most logically belongs in the Federal Works Agency. That agency already includes the other branches of Government concerned with actual construction, including public roads, public buildings, and other public work.

This proposal does not require special action by Congress, inasmuch as the Federal Public Housing Authority, formerly known as the United States Housing Authority, automatically returns to the F. W. A. at the end of the emergency.

The building and operating of the public housing are functions which the Federal Works Agency is better equipped to supervise than any other agency. The welfare aspects of public housing, including the selection of the needy families to be housed and the extension of financial aid to those families, should be the direct responsibility of the local governments.

There also is a great need for more accurate and more extensive factual data about housing and other types of construction as well. The producers' council recommends that responsibility for compiling and analyzing these facts should be coordinated and placed in a single administrative agency. In view of the excellent statistical work which the Department of Commerce has performed in behalf of other branches of private business, it would seem to be the best place for centering such statistical work.

If the proper type of statistical and factual information can be provided, it should be possible for owners, home builders, lenders, dealers, and manufacturers to plan their operations more intelligently and thus to eliminate much of the overbuilding and underbuilding and many of the ups and downs which have characterized residential construction in the past.

The agency selected will not need to collect all of the data which should be assembled, since much of it already is being gathered by trade associations and other private groups, and by other branches of Government. It should assemble all of these available facts in one place.

Provision also should be made for more extensive research on construction materials and methods. By expanding and correlating housing research, and making the results known to private builders, it should be possible to make real progress in the industry's continuous efforts to construct better homes at a lower cost to the public.

In view of the need we suggest that Congress provide as soon as possible for the creation of a National Committee on Construction Research. This committee should be composed of outstanding scientists from both private business and Government and of qualified representatives of educational and research institutions. The committee should concern itself with other types of construction, as well as housing, and it might well be patterned after the National Advisory Committee for Aeronautics, which has done such outstanding work in the field of aviation.

In view of their high standing and their notable contributions to the national welfare in the field of research, the National Bureau of Standards and the Forest Products Laboratory should play a prominent part in this program. Merely by helping to coordinate the extensive research activities of private business, such a committee would make a notable contribution to the solution of the Nation's housing problems.

Senator TAFT. We asked the Road Administration whether they felt there should be one construction research organization and they said decidedly not. They thought the construction of roads and bridges was something entirely different from public housing and they wanted research right in the Road Administration where it is now.

Mr. WHITLOCK. I think that is a likely attitude for each group, but where you have problems of construction the research is one of

construction methods and if there was a coordinator of all research and the advantages of one could be compared with the other, and all that material used to the total benefit of construction, it would seem to me to be much more economical than to have a number of research organizations working on problems of construction.

Senator CHAVEZ. Didn't Mr. McDonald agree to that?

Senator TAFT. He said his committee regarded research as a problem which is different in the case of roads from the case of housing.

Senator CHAVEZ. I was under the impression he did state there should be coordination between the different departments.

Mr. WHITLOCK. There isn't any question that the construction of roads and airports and so forth also directly affects the planning of cities and towns and urban industries.

It seems to me if you had an over-all committee such as you have in research for aeronautics, where that has been put into the over-all committee—because public roads do have a certain number of air strips and so forth—the job would be done more effectively and economically than if they are in separate places, each working on a separate phase of construction.

After mature consideration and after consulting many other factors in the construction industry, we believe that these suggestions will enable the Federal Government to give the strongest possible support to the thousands of builders and contractors who are waiting to fill the country's housing needs after the war, and we hope that Congress will give these proposals serious consideration.

The second question on the subcommittee's list deals with the disposal of war housing. Our views on this subject can be stated in a few words. We believe that the terms of the Lanham Act should be strictly enforced. The thousands of temporary dwellings constructed to meet the needs of the emergency will represent a distinct menace to the communities in or near which they are located, unless they are promptly removed. Left standing, they will only depress real estate values, discourage the construction of the proper type of new permanent dwellings, and lead to the creation of new slum conditions.

As for the revival of the home-building industry and relaxation of wartime controls, which is the next subject on the list, the council makes two simple recommendations. First, manufacturers of building materials and equipment should be permitted to turn their attention to preparing for reconversion as fast as the trend of the war production program will permit and, second, restrictions on the manufacture and use of building products should be removed as fast as the war requirements for critical materials and manpower decrease.

The housing shortage is critical in many of our cities. Adoption of a policy permitting the renovation and construction of private housing to start at the earliest possible date not only will relieve the housing congestion but also will provide a large volume of employment during the critical period, immediately after reconversion gets well under way, when many hundreds of factories now producing war goods will be operating with skeleton forces while reconverting for the production of peacetime lines. This is why it is especially important that manufacturers of building products be encouraged to reconvert at the very earliest date compatible with the progress of the war.

Senator TAFT. Has any study been made to show where the bottlenecks will be in materials?

Mr. WHITLOCK. We have had a committee working on that and have found certain critical materials which of course are more critical than others, and that the relaxation of these critical materials is not going to be possible with the same timing.

It has been very difficult for us to determine first things first because of the war needs.

Senator TAFT. Apart from the war needs, what is it in the house that takes longest to make?

Mr. WHITLOCK. There are many things. The plumbing, electrical equipment, many of those things so highly critical which we assume will stay on the critical list longer than some others.

Senator TAFT. Are there any substitutes that are practically as good?

Mr. WHITLOCK. For post-war construction and for sound construction we are trying to get back to quality construction so the values will be in construction in the future. Of course, the War Production Board has studied the question of substitute materials and the making of them as used today, but we are very anxious that those be gotten out of the picture as quickly as possible and that we return to quality construction for post-war building as quickly as possible.

Senator TAFT. Is the War Production Board making a study of what ought to be released from the standpoint of getting a housing program going?

Mr. WHITLOCK. The War Production Board was making a study of relaxation of controls and an advisory committee from the construction industry was created and worked with them on it.

When the war took the turn it recently took in Europe that was all abandoned and no studies in connection with the industry are going on now.

Senator RADCLIFFE. What is the situation with regard to tooling? Is anything being done substantially at this time to provide an adequate supply of tooling for these post-war needs?

Mr. WHITLOCK. You mean tooling for reconversion?

Senator RADCLIFFE. Yes.

Mr. WHITLOCK. No. I think that is in the same category as our original discussions. I think all of that has been shelved pending the further developments of the war.

Senator RADCLIFFE. Following up Senator Taft's question of a little while ago, are any studies being made of the supplies of tooling that will probably be available then, or what should be done to get tooling in shape so we can move quickly?

Mr. WHITLOCK. No over-all studies to my knowledge, but many manufacturing concerns in planning for post-war business are planning for the reconversion of their plants from wartime back to peacetime production.

They have engineers and committees in their own plants studying that, and I think they have a general idea of what tooling they are going to need. However, I have heard of no pooling of that information and putting it into the hands of the War Production Board.

Senator CHAVEZ. Isn't that dependent upon the relief in the critical materials that you have referred to?

Mr. WHITLOCK. That is correct. Most of the tooling requires critical material and I think a good deal of thought is being given

to what tools will be needed, but it is not being correlated for an over-all picture.

Senator RADCLIFFE. Are there any great difficulties involved in making studies of that kind? I can see where any such studies would be incomplete necessarily, but some forecasting might be done to an advantage.

Senator TAFT. Take a thing like copper. Copper stocks on December 31 were 66,000 tons, which was 15 percent more than on November 30, and 28 percent over a year ago. And I still think there is a considerable excess of a number of materials. I don't know about the manpower problem.

Mr. WHITLOCK. I think the material situation is not as controlling as the manpower situation in many cases.

I think another thing should be brought to the attention of the committee. The construction industry does not have the retooling job that some other forces have. Some building materials have been produced through the war for emergency construction.

Senator BUCK. Does the industry face any shortage of labor?

Mr. WHITLOCK. The War Production Board indicates from their statistics that there is a shortage of labor. It is likely to continue for a while. However, the lumber industry has indicated that they believe once we can get some of these controls removed there may be lumber available.

Senator TAFT. I went through the Westinghouse plant in Marion last fall, where they make refrigerators and stoves, which I suppose would be an essential feature for homes. They apparently would be able to get their plant going in 15 days and put back the machines they had before. But their question is whether they can buy the right kind of steel, which is not being made at the present time. And it would go back to the various steel mills and other things. They said they could not judge how long it might take before they got those materials.

Mr. WHITLOCK. The problem of going back to peacetime types of production, for the construction that people really want in a post-war home, involves all of the use of these critical materials at this time.

I am a member of this advisory committee to the War Production Board and when we were studying it there was some thought that when the war in Europe was over there would still be a war in the Pacific, so the materials would not be available.

Also, there would not be a big supply for all types of construction, and they got involved in all sorts of planning for relaxation and they got into many difficulties and it has not been discussed further.

The subcommittee's fourth subject deals with public housing—the housing of needy families which lack the means to provide decent housing for themselves without public assistance.

Many conflicting proposals have been advanced in this connection, and some of the proposals are based on the vague assumption that a large volume of new publicly built housing will be needed after the war. We in the council do not believe that this necessarily is a valid assumption, and we wish to take this occasion to emphasize the fact that much more should be known about the real need before any large-scale public housing program is adopted by Congress.

Therefore, a necessary preliminary step is to determine how many needy families there will be during, say, the first 5 years after the war.

If we are to have an economy of virtually full employment, the number of families needing housing assistance obviously will be considerably less than at times in the past. There will be some families unable to provide decent housing for themselves because there is no family member physically able to work. There also will be some families whose incomes are too low to enable them to house themselves properly, even though the head of the family is employed. But, surely, in an economy of maximum employment and high wage rates, the total number of needy families will be relatively small.

We must, of course, provide housing assistance for these needy families, just as we help needy families to obtain their food and clothing. As a matter of fact, society has recognized that obligation in this country for many years, starting with the county poorhouses which were an early form of public housing.* Of late, we have found a more constructive attitude toward the problem, but it is the same problem.

When we have determined, as accurately as we can, how many families will need housing assistance, the next step obviously is to find out how many houses already are, or soon will be, available for that purpose. Building brand new homes, at public expense, is not the only way to house low-income families. Indeed, it is a last resort, for it is wasteful to build thousands of new homes for the needy, if there is, or will be, a sufficient number of sound, decent, acceptable existing dwellings in which the needy families can live.

However, we cannot answer that question here in Washington. The only way to determine the adequacy of the present housing supply is to make an inventory of the housing situation in each individual community. This means comparing the nature and number of existing homes, plus those scheduled to be built, with the number and types of families to be housed. If the inventory shows that there will be a sufficient number of suitable houses for all local families, there certainly will be no need to build additional homes for welfare families.

When there is an adequate supply of existing dwellings which meet accepted standards, needy families can be housed in those dwellings with the aid of local welfare funds, administered by local boards made up of local people who know local conditions.

However, if the inventory indicates that there will not be enough homes, even after prospective new residential construction has been taken into consideration, then additional housing will have to be built, with the aid of public funds.

In this connection the Producers' Council has prepared a plan, entitled "Local Housing Inventories," which explains how local communities can obtain this necessary information. In addition, we are undertaking to encourage individual communities to conduct such inventories.

The next question is: What type of homes should be provided? This is another question which has not yet been answered satisfactorily. For, in spite of our rather extensive experience with public housing, no one has yet established acceptable minimum standards for new public housing.

There are many who feel that the standards adopted in the past have been extravagant. In the first place, we have spent many millions of dollars to provide housing for a relatively small number of

families, leaving many more families completely out of the picture. In the second place, the public housing built in the past has, in many cases, been considerably better than the housing in which many of our self-supporting families live.

We feel that such standards as are agreed on should be determined realistically, with due regard for the amount of money available for the construction of new public housing and the number of families who need housing assistance from the Government.

It is to be hoped that the standard of all American housing will be raised as time passes, and certainly minimum standards for public housing should be raised as the standard of privately owned housing improves.

Finally, there is the question of who should build such public housing as may be needed. Obviously the American system demands that this responsibility be placed on private enterprise—the developer and private home builder.

In view of the many differences of opinion regarding the various phases of public housing, and in view of the lack of sufficient information on which to base a sound program, the council recommends that Congress make a thorough study of the whole subject before attempting to reach a decision as to the nature and extent of any public housing and before taking action on any program which may be proposed.

Senator TAFT. That is what we are doing.

Mr. WHITLOCK. That is what the committee recommends. I hope you get the answer.

In addition, Congress should bear in mind the fact that, during the first few years after reconversion is completed, the construction industry will need to devote its entire resources to the huge accumulated volume of private building that must be done. It is questionable whether any important amount of public housing construction could be undertaken during that period without interfering with urgently needed private building.

Senator TAFT. Is there any limitation on materials that you can see? We have had various programs presented to us, Blandford one and a quarter million, A. F. of L. want one and a half million, C. I. O. 1,750,000, and Mr. Wallace the other day boosted it to 2,000,000.

Is there any physical limit on the number that can be built?

Mr. WHITLOCK. I think our experience in the past has been that we have never built the volume of 1,000,000. We are talking about 500,000 more than we have ever built.

We have seen through this war the capacity of American industries to step up to unbelievable proportions. It is to be assumed that the manufacturers of building materials can build up their capacities to take care of increased volume.

Another question is the question of skilled workmen to build these buildings. We have the question of training workmen and we are giving a great deal of thought now to appearing before the administrative agencies of Government that have the problem of training these veterans—war workers. There is a period of time necessary to train competent workmen and, frankly, I think the whole subject needs careful scrutiny and, just as we say, if you point up the demand for private building there is a serious question of a large public-housing program which, if it would go on, might take away from the private builders the skilled workmen and there would be a lag which would

be very detrimental to private enterprise when the industry geared itself up.

Senator TAFT. As far as the industry is concerned, it makes no difference if it is public or private industry?

Mr. WHITLOCK. We will supply the materials.

Senator TAFT. Public housing is built by private contractors.

Mr. WHITLOCK. We are concerned in it because it has many aspects and repercussions on the private enterprise system. We are concerned that public housing be held to a minimum to take care of needy families.

Senator RADCLIFFE. Senator Buck a while ago asked you if it was likely that the supply of lumber, after the war, would be adequate to meet the needs. Is it likely that the consumption during this war program will deplete seriously any other kinds of material which have been usable in the past but which may not be available in sufficient amounts after the war?

Mr. WHITLOCK. I have heard of no depletion of materials. Even lumber, they tell us, is not being depleted to any extent, to an extent to cause a serious concern for post-war lumber, and I know of no materials—in fact, I think it is the reverse. I think some new materials have been developed which will make more available.

Senator TAFT. I think Mr. Northup of the National Retail Lumber Dealers will testify. He is here.

Senator RADCLIFFE. We had understood that the supplies of oil for heating might offer a problem later on.

Senator CHAVEZ. One material that authorities agree is being depleted is copper. I saw some studies some time ago that indicated copper would be depleted.

Lumber, however, I have my doubts about. I happened to go through some of the Western States, New Mexico, Arizona, California, and Oregon, last fall, probably 1,200 miles through forests.

Senator BUCK. You mean our national supply of copper is being exhausted?

Senator CHAVEZ. It is being depleted anyway. But I went through thousands of acres of virgin timber that is at the moment not accessible or ready for production.

Senator RADCLIFFE. It has been our policy recently to pay a subsidy in regard to copper in order that certain ores which ordinarily could not be worked to an advantage could be developed and utilized.

Do you know, Senator Chavez, whether we have large quantities of copper ores which ordinarily would not be workable but which in the case of a subsidy or some other arrangement might be utilized?

Senator CHAVEZ. Oh, yes. I inserted some figures on copper in the Congressional Record in the last 10 days and they came from pretty good authority. I was developing the idea of the good will business and the copper of South America and South Africa, but there are low-grade copper fields in the United States that could be utilized.

Mr. WHITLOCK. Going on with the question of how public housing might interfere, it is entirely possible that the large number of public housing units built before the war may be entirely adequate to meet the post-war need, when supplemented by the thousands of other existing homes that will become available when the post-war private home-building program gets under way.

Mr. Irving W. Clark, chairman of the council's residential committee, will discuss the fifth point, which deals with the financing of residential construction.

Your subcommittee's sixth point—the relation of housing to the general credit policies of the Government—already has been discussed under other headings. However, let me add that, if government and business both do their full part in planning and organizing for the post-war years, the financing of private residential construction will not prove a problem to anyone and will in no way constitute a serious financial burden to the Federal Government.

As for the effect of veterans' loans on the housing picture, there can be no doubt that the loans provided under the G. I. bill will mean a great stimulus to home ownership and should help to keep the volume of residential construction on a higher level than otherwise would be the case. We also feel, however, that Congress should keep a watchful eye on the type of loans which are made. It may be necessary to provide further safeguards, for the benefit of the veteran himself as well as the country in general, if it should develop that proper standards are not being observed in granting the loans.

Senator BUCK. Have you heard that this is going on now? Unscrupulous real-estate men will sell a house to a veteran with a value much too high and he will come in and try to get a loan and can't get it at the bank and he is disillusioned and thoroughly disgusted. If that is going to be done to any extent throughout the country, some reputable group of people will have to be found to do the appraising.

Mr. WHITLOCK. It all depends on proper standards and values.

I have not heard of such a case as you talk about. Very few loans have been made up to the present time. It is just now beginning to function.

Caution is necessary because the G. I. bill will give many thousands of returning servicemen the opportunity of obtaining new homes without any cash outlay on their part, and because the Government, not the private lender, will stand any losses incurred. This may easily lead to overinvestment by servicemen, which would be most unfortunate. It is not aiding the veteran to encourage and permit him to obtain a home which he cannot keep, or which is not worth the price he is to pay for it.

I should like to divide the eighth and last question into two parts. As for rural housing, this is one of the most neglected aspects of the housing problem. In spite of the obstacles which are encountered, for which no ready solution has been devised, it is to be hoped that the Farm Credit Administration or possibly the F. H. A. can help in attacking this problem. The Nation's farmers deserve equal aid with urban families in improving their housing.

Concerning the relationship of urban rehabilitation to the general housing problem, it is important to recognize that urban rehabilitation and the housing problem fundamentally are related only in one sense. The two problems are related to the extent that decadent urban areas which consist largely or wholly of slums or obsolete dwellings cannot be demolished until sufficient homes are available to rehouse the families now residing in such areas, so that rehabilitation programs must be coordinated with the construction of new dwellings in the community.

On the other hand, it does not necessarily follow that the land cleared of slums or other obsolete and undesirable buildings is suited for the construction of new homes. The area may be best fitted for parks, for factories, for parking, for transportation terminals, or for public buildings, and should be utilized accordingly. If the land which has been cleared is desirable for residential purposes, private industry will be quick to utilize it for homes to be built in the future.

The important point is that the construction of new housing should proceed independently of slum clearance or urban redevelopment programs.

In conclusion, I wish to say that it is most encouraging to the construction industry to see the Congress meeting this housing question head-on and giving it such thorough and thoughtful consideration.

Senator TAFT. Are there any questions?

(No response.)

Senator TAFT. Thank you, Mr. Whitlock, for your statement.

Now, Mr. Clark, will you make your statement?

STATEMENT OF IRVING W. CLARK, CHAIRMAN, RESIDENTIAL COMMITTEE, PRODUCERS' COUNCIL, INC.

Mr. CLARK. Mr. Chairman, my name is Irving W. Clark, and my offices are in Pittsburgh, Pa. I appear as chairman of the residential committee of the Producers' Council, a national organization of manufacturers of building materials and equipment.

There is no phase of housing to which the council has devoted more careful study than that of financing the Nation's post-war housing needs, which is the fifth subject on the subcommittee's list.

This topic has been discussed at great length among council members and with other branches of the construction industry, in an effort to remove every possible financial obstacle in the way of post-war home building and to make sure that every desirable form of financial aid receives full consideration.

As Mr. Whitlock pointed out, it appears that ample funds will be available in the post-war years for the financing of residential construction. Accordingly, there seems to be no general need for providing additional financial incentives, over and above those which were available before the war. To the contrary, we believe that the principal need is to streamline financing practices so as to be sure that they are truly sound and that they provide a check on undesirable methods, both in financing and in construction.

Therefore, these recommendations deal with (1) the operations of the Federal Housing Administration, (2) methods of encouraging direct investment in rental housing, (3) revisions in mortgage provisions favoring the borrower, and (4) removal of restrictions on time payments.

The council believes that the Federal Housing Administration and its program for insuring residential loans should be retained after the war, with certain changes designed to place that agency on a sounder fiscal basis and to enable it to meet post-war housing needs more effectively, as:

(1) That the requirements for down payments now provided under section 203 of title II of the National Housing Act be maintained, except that mortgages on single-family owner-occupied dwellings

should be permitted to amounts up to 90 percent of the appraised value, provided they do not exceed \$6,300.

Senator TAFT. That is true now, isn't it?

Mr. CLARK. No, \$5,400.

Senator TAFT. You want insurance for a \$7,000 house.

Mr. CLARK. Yes. The increase to \$6,300 from the \$5,400 now permitted under the act is recommended to meet the increased cost of construction, resulting from the rise in general price levels.

Senator TAFT. Have you any idea as to what the increase is?

Mr. CLARK. About 30 percent to the present time, the best figures we have. This would not go all the way. It is a fair adjustment considering the mortgage exists over a long period where we get ups and downs in our cost curve.

(2) That the provisions of section 203 also should be changed so that there is no differential treatment accorded to new construction and existing construction. Specifically, the down-payment requirements should not be more burdensome for existing structures than for new construction.

Senator TAFT. I think the F. H. A. feels it is more risky to lend 90 percent on an old house than to lend 90 percent on a new house.

Mr. CLARK. That depends on how you approach the problem.

The market or ready sale of older houses is desirable and stimulates the market for new construction. The presumption that risks secured by older properties are per se greater is not valid if the same rules of eligibility are applied, and provided that there is a realistic valuation of the properties and an intelligent patterning of the loans so as to accelerate amortization when the circumstances justify.

(3) That the act also should be amended so as to indicate clearly that the provisions relating to the maximum permitted loan-value ratios shall apply to properties owned in fee simple and not to properties represented by leasehold estates. Mortgages on leasehold estates should be eligible for insurance only when there is a bona fide cash investment equal to the amount which would be required if the property were owned in fee simple.

Turning to title VI, it is believed:

(1) That the war housing program of F. H. A. should not be extended beyond the period of the war. Thus section 603 should not be continued. However, provision should be made to continue the operations made necessary by reason of the fact that war housing mortgages are insured for periods extending beyond the end of the war.

(2) That the council does not approve proposals which have been made for insuring 90 percent loans made directly to operative builders or for permitting the accumulation of down payments by individual purchasers on a lease-option basis.

(3) That classes 1 and 2 of title I be modified to establish an average premium rate at a level adequate to meet all losses arising from legitimate claims, thereby making title I self-supporting.

(4) That the class 3 provisions of title I, originally designed to encourage the erection of very modest dwellings, should be discontinued in order to simplify the act. All home buyers should be afforded the protections and lower monthly payments which are available under section 203 of the act.

(5) That in addition, consideration should be given to the possibility of including in title I separate provisions for substantial loans

with relatively extended maturities to encourage the financing of rehabilitations, reconversions, major additions, and the building of small residential accommodations other than family homes.

Senator TAFT. Some kinds of slum areas, the kind we have in Cleveland, usually consist of single homes, very shabby homes in poor condition, rather than as they have in New York City. It seems to me that could be taken care of by this program.

Mr. CLARK. That is true.

Senator TAFT. You might have to do it on a large-scale basis and not improve one unless the whole street is improved.

Mr. CLARK. I would open the door for several owners to do that.

Senator TAFT. I wonder if there should not be something in the F. H. A. designed for a large scale project of that kind.

Mr. CLARK. I think there should be.

Turning briefly to the matter of encouraging the construction of a larger supply of rental housing, on which more than half of all families will be dependent, for one reason or another, after the war, the council recommends:

(1) That State legislation be passed to permit the larger insurance companies and other holders of trustee funds to invest directly in rental housing which they will own outright.

(2) Legislation should describe the maximum percentage of its assets which each type of institution might invest in this way and should place suitable restrictions on the character of the projects. It also should indicate the manner in which such projects could be owned by subsidiary companies and otherwise. Legislation of this sort would do much to increase the supply of suitable homes for families not in position to purchase dwellings of their own.

This movement might be stimulated by some form of insurance. It is believed that serious study and consideration should be given the possibility of authorizing the F. H. A. to insure yields from rental housing for limited periods.

Two changes in general mortgage practice are also urged as a means of aiding borrowers.

(1) That lapsing of payments be permitted at any time when a borrower is paid up ahead of the contract schedule.

(2) That provisions should be included in dwelling mortgages which permit borrowers periodically to secure additional advances to be used for major replacements, repairs, and modernization, without refinancing the mortgages.

Naturally, it would be necessary to provide for reasonable controls by lenders and to extend this privilege at a reasonable expense to the borrower.

Finally, the council strongly recommends that regulation W of the Federal Reserve Board be discontinued as soon as possible. This is the regulation which raises the amount of down payments on homes and other purchases and limits the time permitted for repayment of unpaid balances. In a peacetime economy, when maximum business activity and full employment are so much to be desired, there is no place for this type of restriction which was adopted solely to prevent wartime inflation.

It is the belief of the Producers' Council that with these changes there will be no serious financial obstacles to prevent a record volume

of residential construction after the war, and that the country stands a better chance than ever of meeting its full housing needs.

Senator TAFT. I wonder if the suggestion in regard to rent houses is quite adequate. I don't know how we can encourage the construction of rental housing but I don't think we can rely solely on the insurance companies.

Mr. CLARK. We think the study of the insurance men will bring an answer to that, bringing other groups into the picture, and, also, trustable funds other than insurance companies are a very likely source for that type of construction.

Senator TAFT. Thank you very much, Mr. Clark.

Do you have a statement, Mr. Northup?

**STATEMENT OF H. R. NORTHUP, SECRETARY-MANAGER,
NATIONAL RETAIL LUMBER DEALERS ASSOCIATION**

Senator TAFT. Will your statement be long, Mr. Northup?

Mr. NORTHUP. Not over 15 minutes, Mr. Chairman.

Mr. Chairman, and gentlemen, my name is H. R. Northup, secretary-manager of the National Retail Lumber Dealers Association.

The retail lumber and building materials industry has a very great interest in the subjects upon which your subcommittee has invited the comments of representatives of Government and industry concerned with housing and post-war construction. This industry represents 25,000 lumber and building materials outlets in the 48 States through which the major portion of building materials of all kinds reach the public. In the field of housing the retail lumber and building materials dealer, particularly in the smaller urban and rural communities is primarily responsible for a very large proportion of the aggregate residential construction built in this country in normal times as he is not only a supplier of materials and equipment but is also a builder of homes, production buildings on the farms, and small commercial structures.

With your permission, we wish to register the viewpoint of this industry in respect to a number of the principal subjects in which your committee has evidenced interest.

1. *The nature of the permanent Federal administrative organization of housing agencies.*—The emergency grouping of Federal housing activities by the Presidential Order 9070, in February 1942, was for the purpose of coordinating the housing activities of the Federal Government and to expedite the programing and building of houses for war workers. This war organization of the Federal Government's housing activities does not seem to be a suitable or a necessary permanent type of organization for peacetime housing operations.

When the war emergency is over, there will be no necessity for the programing of house building by private industry, and there will be no further necessity for the building of war housing.

It is suggested that the Federal Housing Administration and the Federal Home Loan Bank Board should be reestablished as independent administrations under the Federal Loan Agency. This would mean that these two organizations would revert to their pre-war status.

The Federal Housing Administration and the Federal Home Loan Bank Board have in years past done an outstanding and adequate

job in enabling the private building industry to perform its function of providing adequate housing for the prospective home owner. These agencies would seem to be perfectly capable of providing the type of Federal aid required by the private building industry in its peacetime operations.

They have assured the private building industry of an adequate flow of mortgage funds in the past, and there is no reason to believe that these agencies cannot do so in the post-war period.

They have taken steps toward improving mortgage lending practices; have improved housing standards; have developed and can more fully develop in the post-war period adequate information concerning local housing conditions, practices, and customs; and have collaborated with private industry in a most splendid fashion in the industry's efforts to develop lower cost housing with payments that the average individual could afford.

Our industry has great confidence in the Washington administration and in the field offices and field personnel of these agencies. We have learned to work with them over a period of years and are most anxious to retain these working relationships for the benefit of housing in the post-war period.

The type of aid required by the private building industry from Government is largely in the field of home finance, and for that reason we are heartily in accord with the report that will be submitted to your committee by the United States Chamber of Commerce on the subject of organization of the Federal Government's post-war activities in the field of home finance.

2. *Disposal of war housing.*—We would confine our statement to the matter of disposal of so-called "temporary" war housing. It is a declared policy of Congress that these structures be removed after the war. "Temporary" war housing is admittedly nonstandard housing by reason of critical shortages existing during the war period of strategic materials; the housing was built in an effort to meet emergency war needs.

Recommendations had been made to your committee that this temporary housing is suitable in the post-war period for such uses as farm utility buildings, barracks for migratory farm labor, section houses for railroads, roadside filling stations, roadside restaurants, storage warehouses, rural schoolhouses, small-town recreational centers, and other uses of this type.

In the post-war period a substantial part of the construction market will be represented in the fields of construction activities just mentioned, and it is our opinion that the type of construction represented by temporary war housing is not adequate or suitable to a sound program of good post-war construction in these particular fields.

We happen to know something about the requirements of the farmer of the United States and the type of permanent building that is necessary on the farm. It is questionable whether the farmer will realize as much value per dollar from the reuse of temporary war houses as he would from investing in adequately designed and constructed new buildings. At this time the farmer for the first time in decades has the money to reestablish a sound farm plant.

Temporary war housing of all frame construction is perhaps 70 percent or more salvageable when torn down, and in this condition

the salvageable materials can and should be considered surplus material and should be moved to the market through the normal channels of trade.

We believe that the intent of Congress to demolish this type of construction immediately after the emergency war period should be adhered to, and that temporary war housing should only be used to serve temporary needs that might exist in emergency situations in this country or in Europe if the latter would prove a practical thing to do by reason of the long haul and shipping stringencies.

3. *Problems of revival of the home-building industry including the relaxation of wartime controls.*—The question of the revival of the home-building industry in the post-war period is not in any sense a complicated one. The home-building industry is ready to go; there is money available; there is a tremendous need as well as a tremendous desire on the part of the American people for new homes, for the right to modernize, and to proceed with a great volume of deferred civilian maintenance and repair.

All that is required is the revocation of the construction limitation orders of the War Production Board and assurance that the manufacturers of building materials and equipment are freed from wartime restrictions in order that they may produce.

In a very short period of time after these relaxations are possible by reason of the war situation, the building industry will be on its way.

Senator TAFT. You think there is a completely adequate supply of lumber?

Mr. NORTHUP. Yes, sir; I do.

Senator TAFT. Is that American lumber or imported?

Mr. NORTHUP. American lumber. Our critical lumber situation today is directly attributable to the war and the fact that our mills have equipment and manpower problems the same as any other industry, but we see no reason why in the post-war period there might not be an adequate supply of lumber for all the construction that is necessary.

There might be some doubt about that if some of our planners are going to undertake to rebuild every nation in Europe with American lumber.

Senator TAFT. Wouldn't there be a large amount of lumber available from Finland and Sweden?

Mr. NORTHUP. Finland, Sweden, Russia, and France itself, and Germany have timber available which has not been ruined by the war.

Today we are giving them some lumber because of the situation during the war, but we should not be called upon to give it to them after the war, primarily because lumber is not the basic construction material used in housing in Europe.

Now, the fourth question, the role of the Federal Government in future public housing

We do not believe that public housing is a function of the Federal Government. We believe that aid to families of low income is a welfare problem of the municipality or State and should be considered at that level without Federal subsidy.

5. *Research, standardization, and technological progress in the building industry.*—The statement has recently been made before your committee:

The condition of the industry [the building industry] fails to produce funds and the drive for scientific research, standardization, and technological progress.

It is inferred to your committee that the building industry is backward, without funds for research; that it is made up of widely scattered small operations. The intermittent character of home building is compared with certain industrial operations, and it is stated that the cost of housing is too high.

All these things being said, you supposedly have your evidence of the need for Federal funds for housing research, for an over-all Federal administration to coordinate and lead the building industry and local communities everywhere out of the housing wilderness.

As a matter of fact, there is a great amount of scientific research being conducted year in and year out in the building field.

Colleges and universities such as Massachusetts Institute of Technology, Carnegie Tech, University of Illinois, and Purdue University; building materials manufacturers such as the Weyerhaeuser Timber Co., American Radiator Co. through the Pierce Foundation, Johns-Manville Corporation, Libbey-Owens Glass Corporation, General Motors Corporation, the Steel Corporation, and others too numerous to mention; trade associations such as the Portland Cement Association, the National Lumber Manufacturers Association, the Structural Clay Products Institute, and many other trade groups, have in the past and are currently engaged in research to better building products and to reduce housing costs. As a result of much of this research, new materials and new building techniques are available today without which the cost of home building would be much greater.

As a matter of fact, the widely scattered nature of the home building industry and its subdivision into many highly competitive units makes for progress and stimulates competition.

The American housing market is not a mass housing market. The need and desire for good housing starts at our rural cross-roads and reaches through to the great metropolitan cities. This market will probably never be most economically served by a highly centralized or industrialized building industry.

As a matter of fact, the modern American small home is without equal in the conveniences offered the prospective home owner. The pre-war home was infinitely better, more efficient, more comfortable than homes of 20 years ago.

Automatic heating, insulation, new methods of construction, planned kitchens, many new materials, cost savings through increased factory fabrication of parts, better planning, are a few of the improvements available to the home-owning public; and yet these homes cost less on the average than did the homes of 20 years ago.

There is in our opinion a continued need in the building industry for the instruments of home finance that have been provided by Congress in the Federal Housing Administration and the Federal Home Loan Bank System.

Beyond that the building industry needs only to be freed of wartime restrictions in order to proceed immediately with the job of peacetime reconstruction. We do not believe that an emergency exists in respect to the private building industry's ability to perform its job.

Thank you.

Senator TAFT. Thank you very much.

Are there any questions? [No response.]

The committee will adjourn until 2:30. The final hearing will be tomorrow and will be concluded tomorrow afternoon. Then the hearings will be closed.

(Whereupon, at 12:30 p. m., the committee adjourned until 2:30 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:30 p. m., pursuant to adjournment for the noon recess.)

Senator TAFT. The committee will come to order.

We will hear first from Mr. Nelson, of the Real Estate Boards.

STATEMENT OF HERBERT U. NELSON, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

SENATOR TAFT. All right, Mr. Nelson, you may proceed.

Mr. NELSON. Mr. Chairman, and members of the committee, my name is Herbert U. Nelson. I am executive vice president of the National Association of Real Estate Boards, a trade association representing 721 local real estate boards composed of 25,000 real estate firms which are engaged in building, management, financing, appraising, and brokerage of housing and other forms of real estate.

I would like to set forth simply and briefly some of the major steps which we believe Government must take if there is to be a high degree of post-war building activity in the housing and commercial fields. The mere fact that great need exists for all types of construction will not of itself produce real estate and building activity in any great volume. Before we can have real action, private enterprise must be able to function freely and make a profit. That is not possible now. Definite steps can, and must, be taken to make it possible. That is fundamental. That is what I propose to talk about.

I realize that this committee has listened long and patiently to a good deal of exposition on the role of housing in the national economy. You have been told about goals and objectives. You have been urged to set the stage somehow, somehow, for some kind of a national production of housing for everyone who needs a decent house. But before we get to that point, perhaps we should talk about some of the facts of life in the building business.

The first fact that you must deal with is that building is small business.

Real estate development and building are in themselves one of the most pervasive and extensive forms of small business enterprise which we have. Distributors, contractors, and home builders usually function with a small amount of capital. The typical home builder does not produce much in excess of 10 homes per year. Many real estate firms engaged in development and building are in the same category. Average earnings in this field do not exceed \$4,000 per year.

That is a study made by the Bureau of the Census in 1936 which probably is not too typical.

Senator BUCK. You mean a man who builds 10 homes makes only about \$4,000?

Mr. NELSON. He probably makes just wages. It is not a profitable business on the whole.

A great many people feel that way.

Now we come to the catch. All sorts of lip service is given to small business by Government officials—local, State, and National. But the fact is that there is no category of small business which is so oppressed, so restricted, so regulated and so hampered as is the real estate and building field. I will enlarge on this point as we go along. But I wish to point out that the gradual drying up of the private building industry which we have witnessed in the last 15 years can be traced in large measure to mistaken policies of Government at all levels—local, State, and National. The truth is that these policies have played a large share in creating the blighted areas and slums that afflict our communities and give rise to the cry for better housing.

The second fact of life that we must remember is that within the restrictions and mistaken policies that have been wound around building, the construction industry is highly efficient. It is popular, at the moment, to condemn our method of house construction, to assert that it is archaic, behind the times, and inefficient. Armchair experts and even some Government officials seem to believe that if vast corporations are created they could in some mysterious way carry on the building business better. We reject such a theory decidedly and completely.

You have only to look at other nations to discover that the development and building industry in the United States is the most efficient that there is in the world in its field. It has adapted itself skillfully to the intermittent character of construction which is inherent in our economic system.

There is ample evidence as to the efficiency of our building industry compared with other industries. In 100 years, productivity per man-hour in the light construction field, which includes most commercial building and housing, has increased fourfold. This compares with an increase in the field of agriculture in the same period in its efficiency per man-hour of about 300 percent. I have heard it stated that manufacturing in general can show an increase in productivity per man-hour in the last 100 years of about 350 percent due to machine methods. Those who criticize the building industry have never taken the trouble to investigate the facts. A house assembly is one of the most complicated undertakings we have.

Senator TAFT. I never knew how they got those figures.

Mr. NELSON. They are necessarily estimates. You don't have accurate records for the past, but one way to get them in the building industry is to compare the length of time required to build a house. It used to take 6 months to build a house. Today we do it in 45 days and shorter days at that.

One reason why the building industry is highly efficient is because it is highly competitive. There is much complaint even in the industry itself that it is disorganized. This very disorganization is to the everlasting benefit of the public. Thorough organization in the industry which would eliminate the large amount of failures we now have could only mean standardization of prices and the establishment of monopoly. It is a curious fact that many of those who are most enthusiastic in promoting low-cost housing seem to be in favor of the thorough organization of the construction industry and the consequent price fixing and monopoly which this would involve.

The third fact to bear in mind is that we build when we feel confident of the future. Building is the supreme expression of confidence because of the long-term commitments it involves. Create the conditions that do not make for confidence and building stops. Those who cry for a huge home-building program should bear that in mind. Therefore, we believe it is essential that the Government work to create conditions which will make men sufficiently confident to go ahead with long-term investments and commitments that building involves. If the Government fails to do this, and instead, burdens the industry with handicaps, regulations, and taxes which make building unprofitable, the biggest job giver and the biggest stimulator of the whole business structure is destroyed.

The fourth fact, and one that demands the most realistic appraisal of all, has to do with how many houses we can count on being built after the war. This committee has listened to some glowing estimates. Most of these have to do with how many houses we need. In the optimistic flush induced by the talk of needs, little attention is paid as to how many houses actually will be built. I suggest that before we make too many plans, we canvass this problem rather thoroughly. There is a big difference between needs and the actual building we can count on.

We have recently taken a careful opinion survey in a number of cities throughout the country, calling in realtors, developers, and builders to seek to determine just what the housing market would be after the war if present conditions prevail. The general consensus as hitherto reported to you by Mr. Seward Mott of the Urban Land Institute, through which the survey was made, indicates that most of the building that will take place will be in the higher brackets, running from \$7,500 and up. A total volume of some 300,000 or 400,000 family units in the first year after the war might be expected.

That is under present conditions, present restrictions. Perhaps this could be slowly increased in succeeding years.

Compare this estimate, made by men who are in the business and who know what they are planning to do, with the fantastic estimates made by economists and Government officials running from 1,000,000 per year to 1,500,000 units per year. The latter figure may well represent a desired objective to fill a need. But if the great gap between what is actually in prospect and what is needed is to be filled, courageous and drastic action by the Federal Government and by State and local government to remove obstacles is necessary.

We ask the Congress to view this problem thoughtfully and to ascertain the facts. Market data is one of the greatest needs in the home-building field. There should be an office in the Federal Government to supply data of this character. We ask for a research set-up that would care for work of this type. We ask that we be allowed to remain a small business of high competitive character. We ask that the small builder, the small land developer, the small property owner, be protected and not penalized. We ask that the endless paper work, much of which is useless, be eliminated so that the small and efficient producer can survive.

We ask also for a free market in the post-war period. Within the minimum limitations imposed by sound city planning, and the minimum standards necessary for health and safety, the developer and

builder should be allowed to function freely. There are many new ideas that are waiting to be tried out. Some of them are good and some not. It is only by the method of trial and error and ultimate public acceptance that we can find out what is best.

Senator TAFT. Going back for the moment to the Urban Land Institute survey, I suppose they take a survey by going to the builders, don't they?

Mr. NELSON. Yes.

Senator TAFT. And the builders want to build houses of \$7,500 and up. If that is all that is built it seems fairly obvious to me there won't be even 300,000 or 400,000 houses built.

Mr. NELSON. That is right.

Senator TAFT. But what we have got to do, it seems to me, is to create a larger market, the way you can sell more automobiles if you have a cheap automobile. It goes up very rapidly.

I should think a survey of that kind is of rather doubtful validity if you find you can create conditions where houses from \$3,000 up to \$7,500 can be built in large quantities. Then you can sell them. You say "There is a limitation on the number that can be sold," but when you examine it the limitation on sale seems to be because of the fact that the houses aren't cheap enough.

Mr. NELSON. Well, you are exactly right, Senator.

We asked these questions of these builders. We said, "Assuming that present restrictions are continued, what are you planning to do?" Builders are buying land in order to be ready to build, but they are not trying to build for the low-priced or low-rent market in the degree that is either needed or desirable, so certain conditions have to be changed if that market is to be opened up.

I would now like to point out some of the policies of government that have held back the building industry and to suggest some of the steps which we believe should be taken to remedy the situation. Only if the obstacles we have built up over the years are removed can we bring about the high degree of development in housing and commercial building that we all want after the war. Many of the things I mention will be familiar. But they have been in our hair so long that some of us are prone to overlook them. Nevertheless, they still need attention. First of all is local taxation.

Your committee may properly ask, "What can the Federal Government do about local taxes?" My answer is: "Much."

For one thing, the Congress could create a strong commission, well financed, on which Federal, State and local government will be represented. The purpose of this commission would be to review the entire tax structure of local, State, and Federal Governments and to try to rationalize it. The present tax monopolies of the Federal and State Governments should be modified. Local government should have a broader basis of taxation than it now enjoys. Local government should not be put in the position of a mendicant at the doors of State and Federal Government. Unless local government has fiscal independence, local freedom and self-government will perish.

A bill to create such a commission was introduced in the last Congress by Representative Coffee, of Washington, and received extensive support. Similar action has been urged by a special committee of the Treasury on intergovernmental fiscal relations consisting of Dr. Luther Gulick, Mabel Newcomer, and Harold Groves, in a report recently published by the Congress.

This report, Mr. Chairman, is Document No. 69, and it is one of the best things on the relationship of local, State, and Federal taxation that has ever been done, and concludes with the recommendation that the tangle must be straightened out by an intergovernmental commission of the type suggested here, because unless there is some relief on real estate taxes building can't go ahead.

Senator TAFT. I have had something to do with taxes, and I frankly don't see any hope of reducing taxes on residences. I guess it averages about \$100 a year on a \$7,500 house.

Mr. NELSON. The actual average is nearer 3 percent.

Senator TAFT. On actual value, on cost?

Mr. NELSON. Yes, and in communities like Boston it will run up to 6 percent.

Senator TAFT. I would say that in Ohio the appraisal is certainly not over 80 percent of real value and the tax does not average over 2 percent. In fact, I would think the appraisal on residences is less than 80—it might be closer to 70.

Mr. NELSON. The limitation in Ohio applies only to the rate.

Senator TAFT. But the average rate is around 2 percent and——

Mr. NELSON. They all agree that Mr. Zangerle of Cleveland has it up.

Senator TAFT. My only point is that people who live in a house like that get a tremendous amount of service from the city. Their children are educated. What they get for \$75 is probably as cheap as anything that anybody can hope to get in a \$5,000 house. That is not excessive. I don't see where you are going to raise the money otherwise.

We have been trying and have not discovered any way to raise the Federal budget after the war, and in Ohio we have shifted to a sales tax. We get \$50,000,000 from a sales tax, but I don't think you can get your real estate tax down very much.

Mr. NELSON. The difficulty with the real estate tax is the incidence.

We don't argue the fact that the family you speak of may get good value for the contribution, but as long as the owner of the real estate is in all cases made the tax collector, in fact, you have a risk which is very difficult to overcome and provide for, and it is true that during the depression millions of homes had tax liens on them and a great many were lost.

Senator TAFT. You mean they didn't pay their taxes?

Mr. NELSON. They couldn't. There is no relationship between tax liability and income.

Senator TAFT. But there is a relationship between tax liability and service which is true of all taxation.

Mr. NELSON. All other taxes have a direct relationship to ability to pay.

Senator TAFT. A sales tax has no relationship to ability to pay, nor have any of our Federal excise taxes.

Mr. NELSON. You don't pay the tax unless you spend the money.

Senator TAFT. You have your tax rates on ability-to-pay basis up to about as high as you can get them. And if you are going to raise money to pay the expense of government you are going to have to have general taxes. I regard the real estate tax as a method of trying to divide up local service on a fairly equitable basis in relation to the size of a man's house.

In all of our considerations we are going to assume that taxes will stay as the taxes are today, because, as a matter of fact, even if they should be reduced there is no way we can go about reducing them with any certainty of success.

Mr. NELSON. Our greatest fear of all, Senator, is that as soon as the war is over they will be sharply increased. Most of the cities are getting ready to increase wages of civic employees and a great deal of civic house cleaning needs to be done, and a sharp increase in the real estate tax will certainly stop building.

Senator TAFT. It is a rough and ready method of taxation, no doubt about that, but whatever way you do it these same people are going to pay that much tax or more after the war. We all are, I am afraid.

Mr. NELSON. I am pleading the case of building and of property.

Senator TAFT. The argument is all right. I just say in facing our problem we almost have to assume that those taxes are there, and we can't do much about it.

Mr. NELSON. For 150 years it was true in this country that local taxes were light and that increases in ground value tended to offset depreciation of the improvements. We went ahead and built our cities on this assumption. In the last 15 years all this has been changed. We now have declining urban land values everywhere due largely to the personal transportation provided by the automobile which has spread urban population over an area six times greater in proportion than was true 30 years ago. Local tax systems have taken little or no account of this fundamental fact. High valuations on close-in property and even on blighted and slum property have been maintained. The tax burden on such property has been a major factor in maintaining those high prices. Owners naturally add taxes to their book value and hope through some stroke of luck to recover their outlays.

Taxes on shelter today take about 25 cents out of the rental dollar. This means that shelter is subject to an annual sales tax of about 25 percent. Think what an outcry would go up throughout the country if a similar sales tax were imposed on food or clothing or any other basic necessity of life.

In this connection, private enterprise has been blamed for not building for lower rentals. Those who speak such words forget that one-fourth of the rent dollar consists of taxes. If, therefore, a builder is able to build accommodations at a \$40 a month rental he is in fact building for a \$30 a month economic rent if the local taxes are deducted.

We are seeking real estate tax ceilings in many States and have succeeded in nine of them. Ohio was the first to adopt a real estate tax ceiling. This is good, but it is not good enough. Local taxes on real property must be still further reduced if low-rent building is to be produced.

The major reason why local taxes bear so heavily on real property is that the State and Federal Governments have preempted taxation of the vast wealth produced by our cities. We have everywhere today the spectacle of cities in difficult financial circumstances barely able to maintain their services, while State government piles up huge surpluses. The Federal Government draws 90 percent of its vast resources from the cities. Gradually financial independence has been

taken away from our cities and home rule and local and State government is becoming a fiction.

There is plenty to do in this field to encourage building.

THE THIRD PARTNER

2. *Federal taxation.*—Real property and buildings are peculiarly subject to a triple tax load which in the future will tend to scare off new venture capital. Local taxes absorb from 20 percent to 50 percent of gross revenues from buildings of all types. In office buildings it will often run up to 50 percent of the gross revenues. State governments in many cases still levy ad valorem taxes and half the State governments levy income taxes which is a further burden on real property income. Finally, the Federal Government comes along and taxes nearly all of what is left through the Federal income tax.

We believe that the Federal Government should take cognizance of the fact that real property remains the peculiar and major tax source of local government. Both State and Federal Governments should, therefore, in our judgment lighten the burdens on real property in every possible way.

We suggest that the Federal Government lighten the burden on real property and provide incentive for new building by amending the Federal Revenue Act so as to provide incentives. These incentives might be in several forms and I suggest two of them:

(a) The current income of individuals or corporations which is invested in new construction in the post-war period might be taxed at the capital gains rate, namely, 25 percent. If the capital-gains rate is later reduced to 12½, where it once was, the tax on income invested in new improvements on real property should follow suit. This could constitute a special investment tax to stimulate building which has been recommended by able economists and which would in itself provide a tremendous stimulus to new construction. We do not believe that the Federal Government would lose money in the long run by such a policy. The economic activity that would be generated would yield enlarged tax returns as a whole and would in addition add to the permanent wealth of the Nation.

(b) The Federal Government might adopt the offset principle for local taxes paid in the Federal Revenue Act. If this were done, real-estate taxes paid locally would be offset against the net Federal tax due on the part of an individual or corporation up to a certain percent, say half, of the taxpayer's liability to the Federal Government. Such a policy would clearly recognize the great role of real property in financing local government. It would be applying also the same principle which the Government has already adopted in permitting State inheritance taxes paid to be offset against the Federal estate tax.

You will recall that you can deduct your real-estate taxes as an expense in figuring out your Federal tax. It is deductible from gross income, but that is different from offsetting the local real-estate tax against a portion of the Federal tax due which would be a real tax incentive for building.

Senator TAFT. It seems to me that there is not very much hope, I would think of doing as you suggest. In the first place it would be a far greater incentive to other building than residential building

because you propose a general exemption of real-estate income rather than one for building.

I thought there might be an approach here connected with the encouragement of rental housing by eliminating the double taxes and permitting men or stockholders who invest in real estate to take the income directly into their personal income, not paying a corporation tax.

You now have in real-estate investment, if you want to do it with a corporation—and if you don't, you subject yourself to a lot of liability—double taxes—and there isn't any rapid turn-over.

It seemed to me that we might provide that a man who invested in rental housing through the purchase of corporation stock and so forth, could simply carry that into his own income once and pay on it as a part of his income, possibly permitting him to accumulate something in the corporation without tax. There seems to me better hope of approaching it from that standpoint than there is of a direct treatment of income from real estate on a different basis than other income.

I don't think Congress will consider that. It makes the tax much more complicated. You have to figure out which portion of the income comes from real estate and what comes from other things, and treat them differently, but it has seemed to me there is a serious handicap on housing through this double tax to corporations and individuals.

Have you studied any proposal along that line?

Mr. NELSON. We felt the first step that must be taken is to provide a means for the investment itself. If you take that portion of a man's income which he invests in building on an incentive basis you would get a lot of equity money. The country is full of mortgage money—

Senator TAFT. But you are proposing something about which every other group in the United States can say the same thing. Farming is vital. You need some special war industry here and you give them a different rate. We have not done that. We have given special privileges by letting people deduct depreciation and depletion and various things like that, but having a different rate for income from different sources—I don't believe you could hope to get the finance committees to do that, but I do think there is some hope that we might eliminate the double taxation of corporations and individuals.

Mr. NELSON. It isn't as much the income from the corporation that owns the real estate that we have in mind, as the initial investment itself. If you have an income of \$20,000 or \$30,000 and decide to invest \$10,000 or \$15,000 of that income in a certain year in a building enterprise, then that portion of your income which you invest in that enterprise would be taxable at the lower rate.

Senator TAFT. I don't think you would ever get Congress to give different rates to different kinds of investment. I don't think I would be in favor of it. I don't think it is possible.

I think you have to approach your tax incentive from some other standpoint than by giving a different rate on an investment in real estate.

Mr. NELSON. Then you think tax incentives are largely pleasant conversation and we won't get them?

Senator TAFT. You won't get much if you have to raise \$30,000,000,000 for Federal and State governments. But my idea further is that this idea of different rates on different kinds of income or different kinds of investment, is not a practical thing to hope for.

Mr. NELSON. You have one rate for income and one for capital gains.

Senator TAFT. Your gross income is all subject to the same thing outside of capital gains, and it is a dispute as to whether that is or is not income. You have a favorable tax situation for owning homes today under the present circumstances, of course, because you can deduct interest and taxes.

The Government will pay a large part of your expense if you buy your own house. So you have a fairly favorable Federal tax situation.

I know, because I just saved \$1,000 a year by buying my house.

Mr. NELSON. That isn't the kind of building that is wanted. What they want is rental houses.

Senator TAFT. Rental housing is another question. In the first place, I think your tax incentive had better be confined to rental housing and I suggest that the best way to give an incentive to rental housing is to try to eliminate the double corporation and individual tax.

And a higher depreciation, if you please. I had a letter from one man suggesting there be a very high depreciation the first year. I think he wanted to permit the charging off of 25 percent the first year on the ground that that is where the big depreciation came. When a house was not a new house it went down at once in value, and he pointed out that the Government in the end would not get anything different because after that the depreciation might be more gradual.

Then you might permit a man to charge depreciation on his own home and permit that to be deducted. It seems to me that suggestions of that kind are a little more practical than what you mention here.

Mr. NELSON. We did introduce a bill, Senator, on permitting the home owner to deduct depreciation which he is now not permitted to do if he occupies his home, and we also made the suggestion that on all rental property they ought to be permitted to write it off in 10 years which is similar to the proposal you just discussed.

That would be an incentive and would carry the project over the high risk period of promotion and development which is always a chancy period, to some maturity.

Item 3 is rent control.

A restriction on post-war building that would effectively paralyze the home-building industry would be continuation of Federal rent control after the war. Obviously, it is not possible to build for profit or for revenue under present rent ceilings and present costs. We therefore suggest that assurance should be given now by the Congress that when the war or emergency conditions are over, Federal rent control will be lifted. If areas remain where control is regarded as necessary, the problem should be handed over to the States or localities for action.

There is at present a widespread fear throughout the Nation caused by comments of certain public officials to the effect that controls will be continued for years after the war which we believe will do much to stop post-war building activity. Because of various kinds of mass

pressures, post-war Federal rent ceilings probably would be so low as to make it unprofitable for years to come to do any building. You need only examine the experience of France, Germany, Italy, and England with rent-control measures that effectively put the construction industry out of business to see what I mean.

They put rent control on in France in 1914 that is still on about four-fifths of their property and it killed construction, which was a major factor in their economic difficulties.

In many cases, the removal of rent control after the war would mean increases in rent. But this very increase in revenue would quickly stimulate new building. I know of no other way to insure new building for the rental market.

Commercial rent control if imposed and if continued for a long time would have equally disastrous effects on building and employment. We do not believe in the necessity of control over commercial rents and hope that Congress will take no action along this line. The free market should be continued here.

If we could have in the near future from the Congress some definite assurance that it will be the policy, in order to encourage post-war building, to remove rent ceilings now imposed by the Federal Government, it would provide reassurance that would bring about immediate planning and work for new activity.

Senator TAFT. I understand the administration is going ahead immediately with a bill to extend the O. P. A. provisions. I don't know for how long, or what Congress will do about it.

Would you express your opinion as to how long after we see the end of the Japanese war the rent control should be abolished or ended?

Mr. NELSON. Six months.

Senator TAFT. Do you think 6 months after the end of the Japanese war—you would like to have that extended as a definite policy so that everyone will know it?

Mr. NELSON. That is right. There is no field where you have to have assurance as to what future policy will be, any more than in the field of building.

Senator CHAVEZ. What makes the commercial owner now charge anything he pleases, \$150 for a \$40 building, for instance? Why should the owner be so much interested at the moment as to the limitation of rent control by the Federal Government for the duration, if he himself does not try to cooperate and hold rentals down now?

In my home city I know they are charging \$150 for \$40 buildings, just because they can get away with it.

Mr. NELSON. We don't deny there are some abuses. The fact that you have an occasional raise in rent does not mean that that is general.

Senator CHAVEZ. I know where I come from——

Mr. NELSON. I don't know where you are from.

Senator CHAVEZ. I am from Albuquerque, N. Mex., and they are charging a poor girl who is trying to earn a living as a beauty parlor operator \$150 for a building worth \$40.

Mr. NELSON. Maybe her business had quadrupled.

Senator TAFT. I opposed this last fall, but I am not sure when it comes up now that you are not getting into a speculative real-estate market that may be a pretty bad thing after the war. Rents are

beginning to go up, and while it is not, a general condition as to excessive increases, it is a kind of accelerated movement. I am not afraid so much of excessive receipts now, but it may drive real-estate values up to a point where they are inflated again, and you will face the possibility of a serious deflation later on.

Mr. NELSON. We don't want an inflation in real estate. We have had plenty of that.

Senator TAFT. The Banking and Currency Committee will consider that when the new O. P. A. matter comes up.

Mr. NELSON. Finally, restraint through regulation.

The endless regulations that exist at local, State, and Federal levels for all types of building should largely be done away with. It is in the public interest that we have good city planning and that structures be built so as to assure health and safety. We do not object to such regulations and are, in fact, principal proponents of them.

We do believe, however, that the Federal Government should take the lead in getting cities to eliminate detailed, useless, and highly costly building codes. In many cities the codes are little more than a racket because they specify methods of building or materials which are of value to special local interests.

The Bureau of Standards is doing some good work along this line and we think it should be encouraged.

There are many lists of the abuses in this line. Mr. Thurman Arnold, when he was in the Department of Justice, cited many of them. Some cities forbid the use of hollow tile construction to protect the local brick distributors. In some places, three coats of plaster are required when two would do. In other places, rigid conduit is required where flexible would serve. Certain types of pipe, which are more costly but more efficient, are required in some building codes. And so it goes.

The Federal Government can also take the lead through the Department of Justice in eliminating some of the uneconomic union labor policies which produce high costs with no resulting or adequate benefits.

Under Mr. Thurman Arnold, when he was in the Department of Justice, some progress was made as to the monopolistic practices in which both distributors and labor unions were at that time operating in collusion and a number of like actions were brought in Cleveland, Chicago, and New York. These were effective as far as they went but they were only a start. Labor unions have their proper place with respect to the establishment of fair compensation, hours and working conditions. They should not, however, be instrumental in prohibiting new techniques which are labor saving and money saving. Builders should be allowed to use such things as plaster guns, paint guns, and certain prefabrication methods which will save time and money. It is in the public interest that the Department of Justice continue its work along this line.

Finally, the Federal Government should, in our judgment get some practical people to review the endless regulations for building set up by the Federal agencies. These are cumbersome and costly. The small builder has difficulty in keeping up with them. Different agencies from time to time have different regulations or different requirements. We have often had the experience when one of our members has sought to build an apartment building which might be

acceptable for mortgage insurance under F. H. A. to have many weeks and months elapse while the plans were redrawn to suit the ideas or whims of some Federal employee. We do not believe that one concept or pattern of building should be imposed on the entire Nation.

Senator TAFT. Is that a criticism of the F. H. A.?

Mr. NELSON. Yes. There was too much of this redrawing of all plans and very often they were not suitable to the property. I can call names, but it is not necessary. There is no reason why what is acceptable locally should not be accepted by the office down here.

While we seek improvement in building, we feel that the Federal agencies, which are useful and necessary as facilities for the private enterprise field, should accept without too much question those types of building and construction which local taste and custom finds acceptable. Many of the activities of N. H. A., F. H. A. and several other agencies could be reduced if this attitude were adopted. We urge that the Congress give this matter consideration and help to reduce regulation by Federal Government in this field.

Senator TAFT. What do you think of the F. H. A. appraisal system, as a whole?

Mr. NELSON. That is the best thing that the F. H. A. has done. It has rationalized the national appraisal system as much as possible. Senator CHAVEZ. They base theirs upon local appraisal, do they not?

Mr. NELSON. Yes; but they have a set appraisal that the appraiser goes through.

Senator TAFT. Are they a little tighter in their appraisals than building and loan companies and banks are, or not?

Mr. NELSON. That is a controversial question that I would not undertake to answer.

Senator TAFT. Is there any generally acknowledged difference?

Mr. NELSON. I wouldn't say so; no.

State Governments are also trying to regulate building. Several States now have plumbing codes and heating codes which apply to urban communities generally, the purpose of which primarily is to make work, and the result of which is to add to costs. On the whole, it would seem to be fully adequate if the matter of regulations of building were left entirely to local government alone.

Many have estimated that if useless and non-result-producing regulations, which include the regulations of labor unions—could be reduced to practical levels by local, State, and Federal Government, the cost of building in the larger cities would be cut fully 20 percent. It costs 20 percent more in Chicago to build inside the city as it does just outside.

Senator TAFT. Is that due to wage rates?

Mr. NELSON. Not so much as to code restrictions and wage rates.

Senator CHAVEZ. Limiting the supplies of certain products?

Mr. NELSON. And also requiring the builder to function in certain ways.

In Chicago, for instance, you can't install a preglazed window and have it glazed on the job. That adds to the cost.

Now, public housing:

We recommend that no further appropriation be made for public housing and that all of the public housing now in possession of the Federal Government and the local housing authorities be disposed of after the war. We recognize that this is a drastic recommendation.

We believe, however, that a candid appraisal of the public housing program will indicate that it has not served the objectives set up for it. It has not on the whole eliminated slums nor functioned in the slums, although there are some notable exceptions. It has not served the people most in need of help. On the contrary, the tenant-selection process has sedulously avoided taking people on relief or without employment.

We believe that the herding together of people of modest incomes in Federal projects is in itself unwholesome. It creates a type of citizenship which has a lively awareness of public benefits received and about to be received. If people are in financial difficulties they often need the stimulus of contact with neighbors who do not suffer under the same disabilities rather than those who do. The political implications of public housing projects are obvious and to us seem most dangerous.

Senator TAFT. If you are going to oppose all public housing, have you any alternative suggestion for getting rid of the slums and providing housing for low-income groups?

Mr. NELSON. That is a double-barrelled question.

Senator TAFT. It is a double-barrelled program. That is why I asked a double-barrelled question.

Mr. NELSON. The clearing of slums, we think, is a matter of urban redevelopment that requires no legislation, and is not a housing problem. That land should be recaptured and turned over to private enterprise for development or used for public purposes as may seem best.

Senator CHAVEZ. What is the matter with the public purposes when it comes to housing?

Mr. NELSON. We think the building of houses is something that is well understood and can be handled by private enterprise, and if the Federal Government wants to enter this field, they should subsidize the family instead of subsidizing brick and mortar. Help the family that is in distress if it is required. That is the way it was handled during the depression years.

Many families got rent checks by which the rent was paid, but there was no permanent vested interest in buildings and no group of families were set up on the basis that from now on they were going to be subsidized indefinitely as to housing.

We gave 2,000,000 or 3,000,000 families rent relief through checks distributed largely through the Works Progress Administration.

Senator TAFT. That is all right in a depression, but it looks as if you have millions of families living under normal conditions and drawing some pay who could not pay rent under any economic basis unless your figures contradict some others.

I don't believe a rent-check proposition in normal times would be a very good method of solving the problem. All of the testimony has been against rent relief, and Father O'Grady this morning was very strong against the needs test, and that is what that will be.

Mr. NELSON. I can't see that rent relief is any different from any other kind of relief.

Senator CHAVEZ. There is quite a difference. The average American citizen with a family of three would like to say, "I would like to own this little shack. It is my castle." All he would like to get is a little help to achieve that end.

It is different from giving him a little dole of \$12 a month for rent. He would like to set himself up as a property owner.

Mr. NELSON. We are all for that if you want to help him on these houses, and the Federal Government would be much better off building houses and giving them away than—

Senator TAFT. The trouble is that the men for whom they subsidize would probably not be able to support it. \$500 would not make enough difference in the man's ultimate rent to enable him to pay the rent.

It seems to me if you are going to oppose public housing, you are going to have to have some better proposal than rent checks. I don't know what it is.

In the beginning I asked a number of people whether the plan of subsidizing private limited-dividend corporations to provide low-rental housing would be a practical plan. Have you any thoughts on that?

Mr. NELSON. That is virtually being undertaken in Canada where the Federal Government will underwrite the low return, 2½ percent, I think it is, on 100 percent of the funds invested by the fiduciary in low-rent housing. That shakes down to about the same thing.

It is the Government guaranteeing an investment in the housing field.

Senator TAFT. But housing is a little different from food. Food is eaten and gone. In any event, we don't subsidize it except in depressions, or some economic situation.

But in housing, the costs are such that many people can't get a minimum house today unless you work out some plan of financing the rehabilitation program for houses.

If you are going to oppose the public-housing program, I think you have to present some alternative. I think you have an obligation to present some alternative.

We haven't any obligation to take it, necessarily, but I don't think you meet the present public opinion at all by just saying you are against it. I don't believe that is going to prevent Congress from going ahead.

Mr. NELSON. If you go ahead with the public-housing program, you necessarily will stop a lot of private enterprise just through plain ordinary fear. Those who ordinarily go into the lower brackets and try to build just won't do it. That fear is a real thing.

We want to provide low-rent housing and want to give some public subsidy and we have studied and may recommend—I don't know whether we will or not—the idea of conversions.

We undertook through a special committee to assist on the 60,000 conversions that were made through F. P. H. A. for housing and those cost about \$1,600 per family unit. They took 10- 11- or 12-year leases on older buildings and modernized them at about \$1,600 per family unit and provided plenty good housing. In fact, better than you would necessarily need for some of these low-rent families.

There is a possibility there at much less cost and in terms of much shorter commitments by the Government.

Senator TAFT. If you have such recommendations, I wish you would suggest them, because I have a good deal of difficulty in seeing how we are going to solve this problem.

Mr. NELSON. Finally, Mr. Chairman, we have a suggestion as to the streamlining of Federal housing activities, and rather than read

that, I would like to refer you to a little chart which is attached which indicates very simply and briefly what we have in mind.

We find there are more than a dozen, maybe 16 functions with respect to housing, and we suggest that public housing aid of any kind that is extended in the future be shifted over to the Federal Works Agency. That is similar to the recommendation made by Mr. Whitlock this morning.

(The chart referred to appears on p. 2019.)

Mr. NELSON. Then we set up a research agency with provision for technical research, economic research, and general urban research, and show below the functions now being performed which would be consolidated in this new research agency.

There are no new functions in the reorganization plan.

I don't know what the future of technical research would be if it were in the Federal Government, but we do feel the need of economic analyses, and market research which private industry cannot always undertake on a sufficient basis.

Urban research refers primarily to problems with respect to blight and slums, and we think there should be a national clearing house for that sort of thing.

About a dozen States have bills on urban redevelopment either pending or passed, and we are waiting to see what some of the bills will do. We have five in the District of Columbia which Congress is considering—urban redevelopment for the city of Washington.

Somewhere in the Government there should be a spot where that kind of information should be collected for general use.

And we suggest a Federal Home Finance Board with three advisory bureaus under it—financial research, risk rating, and inspection—and the director of real-estate policy having to do with land use, and so on.

Then the functions now performed by the housing agency would be dumped on this Board, each in charge of what in a bank would be a vice president.

Mortgage insurance is F. H. A. The Federal savings and loan set-up is the home loan. The mortgage discounting would—now conducted by the First National Mortgage Association—be a part of the Federal Home Finance Board.

Mortgage loans, the wind-up of the H. O. L. C. operation and veterans' loans would be administered under this same set-up. We see no reason for having the Veterans' Administration duplicate all the complex procedure and personnel that F. H. A. now has all over the country. There is no reason why that procedure should not be coordinated. That would give us one Federal homes finance board which would comprise all of those activities in the Federal Government that are set up to facilitate private enterprise and it would remove from that group the public housing which we believe does not belong in the private enterprise group at all. They are not happy partners.

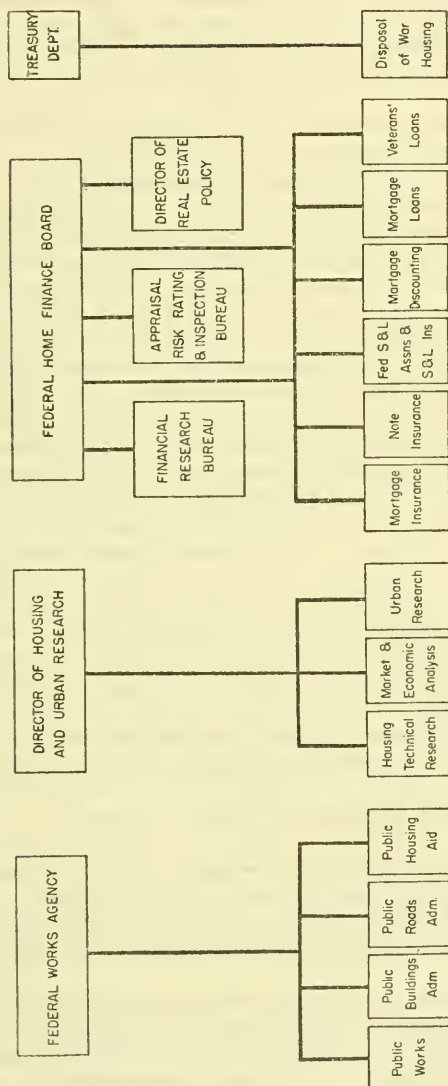
It worked out all right as a war emergency undertaking under N. H. A., but the N. H. A. does not, in our opinion fill the bill for the post-war period.

Finally, we have indicated that disposal of war housing should be turned over to the Treasury Department where such activities have always, according to custom, been carried on.

Senator CHAVEZ. What is the basis of that?

PROPOSED ORGANIZATION OF HOUSING AND
HOUSING FINANCE ACTIVITIES IN THE
EXECUTIVE BRANCH OF THE FEDERAL GOVERNMENT

FEBRUARY, 1945



BELOW: PROBABLE TRANSFERS FROM EXISTING AGENCIES

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|---|--|--|---|
| <p> BPA
 PRA
 FPHA (Part)
 NCHA
 FWA </p> | <p> FPHA (Part of tech staff)
 FHA (Part of tech staff)
 FHLBA (Part of tech staff)
 NHA (Part) </p> | <p> FHA (Mlge & Nole Ins; Underwriting)
 FHLBA (Bk system Fed Savgs and Loan Assns & S & L Ins Corp)
 FNMA
 RFC Mlge Co.
 DHC
 Veterans Adm. (Home Loans) </p> | <p> HOLC
 US Hsg Corp
 FPHA (Disposal) </p> |
|---|--|--|---|

NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

Mr. NELSON. In the past, the Treasury Department has always been the major procurement and major disposal agency of the Government, and even now, under the Surplus Property Act passed by Congress, the Treasury Department will dispose of all property other than real property.

Senator TAFT. The R. F. C. is disposing of a large amount, isn't it?

Mr. NELSON. The R. F. C. is taking over the real property.

Senator TAFT. And airplanes and a long list of stuff.

Mr. NELSON. But we see no reason why that should not go back to the Treasury.

Senator TAFT. At the present time the National Housing Agency has been designated as the agency to dispose of housing.

Mr. NELSON. That is correct, but we anticipate in the post-war period the National Housing Agency will be done away with.

Then I have a final paragraph here which I would like to read.

The need for urban redevelopment and the rehabilitation of blighted areas in our cities has been thoroughly discussed before your committee, and so I will not go into that. We accept the statements as to need. But I must emphasize that you cannot expect to get private enterprise into this field, and private initiative is the only thing that can do the job, unless building is made attractive. As I have tried to point out, you can't expect the private construction industry to unleash its full vigor in any building field unless and until its fetters are cut. May we suggest that the greatest contribution this committee possibly could make toward a sound and healthy building program in the post-war period would be to start the cutting process.

Senator TAFT. Mr. Nelson, the real estate board has sponsored a bill, haven't they, for urban redevelopment different from the bill presented to us by Mr. Bettman?

Mr. NELSON. There was a bill presented by what we call the Urban Land Institute about a year and a half ago. That institute does not in any way reflect business policy. It does research work in the land-planning field.

That was called the Wagner bill and provided for certain grants and aid by the Federal Government to cities that would undertake certain redevelopment.

Senator TAFT. Nobody has presented that bill here?

Mr. NELSON. No.

Senator TAFT. Are you backing the other bill that has been presented to this committee? Are you in favor of that bill?

Mr. NELSON. I can't say that we are backing it, particularly. We are interested in the movement, trying to work out the legislation at the State level.

As I stated, we have about 16 redevelopment acts now in process of passage or that are passed, and we want to see what those are like and see what local government wants before we feel competent to come here and say, "This is what the Government should do to help out."

Senator TAFT. So the Wagner bill is not apt to be brought up again?

Mr. NELSON. Not through us. We want to see the thinking of cities, communities, and States. Some fine efforts are being carried on through planning commissions in Chicago, Los Angeles, and New York. They are doing some hard planning on this problem of redevelopment. We want to see what they come out with in the next few

months before we limit ourselves too much to what the Federal Government should do.

Senator TAFT. I suppose they all depend on the Treasury to some extent.

Mr. NELSON. They avoid it as much as possible.

Senator CHAVEZ. I would like to see the State or city that feels that way.

Mr. NELSON. That is because the Federal Government today is preempting so many of the tax resources of the cities. I don't know how we can help it. We must face it.

Senator TAFT. I don't know that we preempt the revenues of the cities.

Mr. NELSON. You draw your revenues from the wealth produced by the cities.

Senator CHAVEZ. And the resources of the country.

Senator TAFT. If we didn't they would move out of the cities that try to tax them, so I don't think we have interfered with any of the cities' revenues.

Mr. NELSON. The State governments are beginning to think about a larger redistribution program on the great revenues from sales taxes and other types of taxes, which they levy.

In Illinois, where I live, the State government has a surplus of \$110,000, while the city of Chicago hasn't enough money to collect the garbage. Some of that money should go back to support local government even though it is collected by the State.

Senator TAFT. It does in Ohio.

Thank you, Mr. Nelson.

STATEMENT OF REGINALD A. JOHNSON, FIELD SECRETARY, NATIONAL URBAN LEAGUE

Mr. JOHNSON. My name is Reginald A. Johnson, and I am field secretary of the National Urban League with headquarters at 1133 Broadway, New York City. The National Urban League is a national social-service organization that has been actively engaged since 1910 in the improvement of the working and living conditions of Negroes. Research is conducted in the fields of industrial relations, housing, race relations, health, and recreation.

Literature is prepared on these subjects and programs are effected to meet problems requiring attention in these fields.

For your information I am leaving with the committee several copies of a bulletin prepared by the league entitled "Racial Problems in Housing."

We operate under an interracial board of directors composed of responsible citizens and have affiliated offices in 50 cities. At our last conference held in Columbus, Ohio, September 28, 1944, we prepared recommendations in the field of housing involving a Federal and private program, urban redevelopment laws and basic policies for action by Federal agencies. These will be read into the record as the recommendations in this testimony.

It will be the purpose of my testimony to bring to your attention data on the nature and status of housing among Negroes. This data will be based on observations and experiences of our own staff and

such 1940 census information that is pertinent to the inquiry of our committee. It will also include observations made on the impact present war migrations have made on present and future housing needs. It is our interest that data as presented will be of value to the efforts of your committee to establish a sound and permanent housing program based on the actual facts and needs of those that need to be rehoused.

This committee has had presented to it the housing needs of the Nation which naturally included the housing needs of the Negro population. The committee has not received, however, a comprehensive statement on the distinctive characteristics of the housing problem as faced by Negroes. It is essential that the committee understand these factors because failure to recognize the basic elements of this problem and to formulate specific procedures to meet them will preclude a solution of the total housing problem.

The distinctive housing problem of Negroes stems from a complex of disproportionate low-income and racial restrictions. The results as we will show are: (1) Artificially restricted housing supply; (2) Less housing value per dollar spent; (3) Intensification of overcrowding, blight, and deterioration.

As to the comparative physical condition of existing housing, 16.3 percent of units occupied by white were judged by the 1940 census as in need of major repairs, whereas among the nonwhite the ratio was 35.1 percent, or twice that for white.

I have some charts here that I would like to have included in the record that will give a little more graphic picture of this. I only have one set but I will leave that with the committee. (The charts follow on pp. 2022a and 2022b.)

Twenty-eight and seven-tenths percent of those occupied by white and 47.6 percent of those of nonwhite had major plumbing deficiencies. Or 45 percent of white dwelling units and 82.7 percent of nonwhite dwellings needed major repairs or had serious plumbing deficiencies. Putting it another way, there were $4\frac{1}{2}$ out of 10 white dwellings and $8\frac{1}{2}$ out of 10 nonwhite dwellings which needed repairs or had deficient plumbing. Conversely 1 out of every 2 houses for white were of acceptable standard and 1 out of every 6 per nonwhite dwellings were in the same category. There was no running water in 26.7 percent of the white dwellings as compared with 61.9 percent of the nonwhite. One-fifth of nonwhite units and three-fifths of white units had private baths and flush toilets.

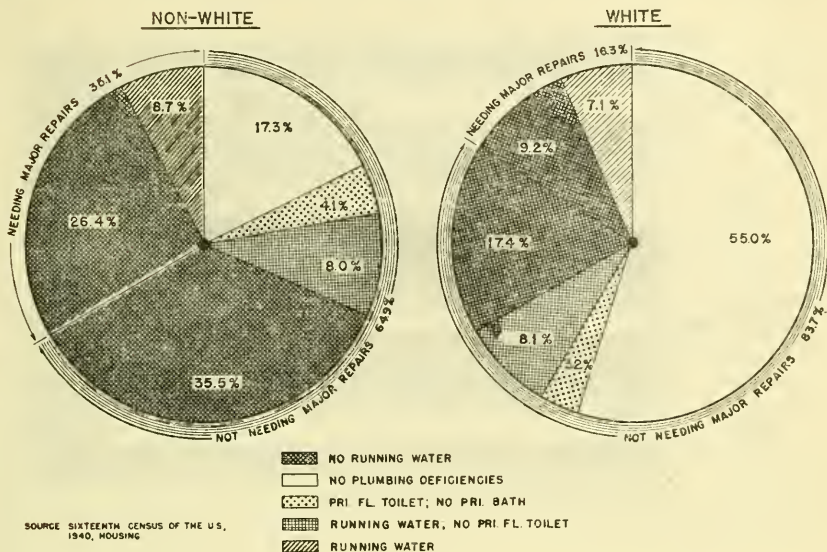
Senator TAFT. These are all urban?

Mr. JOHNSON. These are all urban and rural.

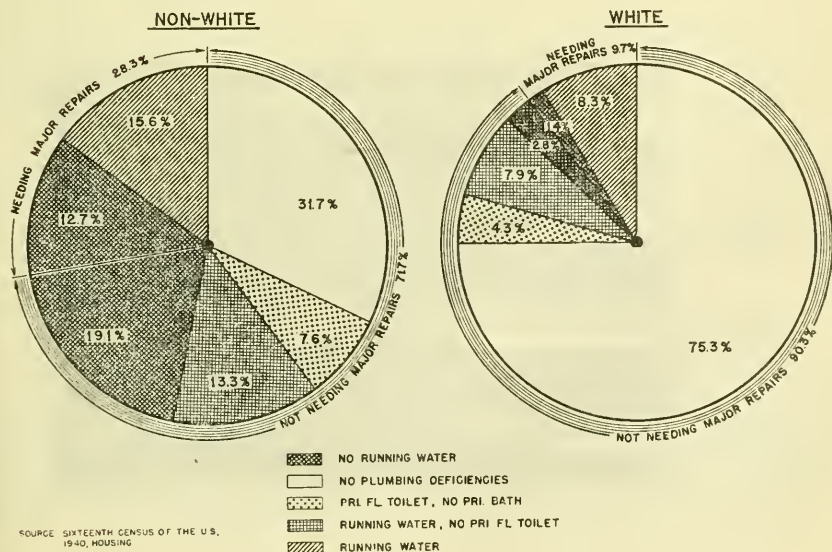
Of the 19,000,000 urban dwellings, more than one-fourth were so in need of major repairs and deficient in plumbing as to be regarded as substandard. One out of every four of these dwellings occupied by white were substandard. More than two out of three occupied by nonwhite were in the same category. In other words, three out of every four homes occupied by white were acceptable, while less than one out of every three occupied by nonwhite were in this category. That's the urban part of it.

According to the census definition of overcrowding—an excess of one and one-half persons per room—8 percent of the urban units occupied by whites and 25 percent of the urban nonwhite were overcrowded. Thus in 1940 the extent of overcrowding of nonwhites was over three times that of whites.

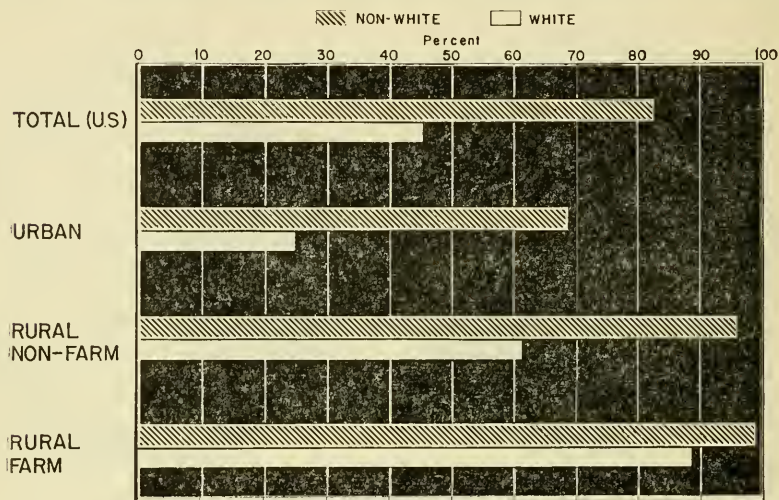
STATE OF REPAIRS AND PLUMBING EQUIPMENT FOR OCCUPIED UNITS
BY RACE, FOR THE UNITED STATES (TOTAL)



STATE OF REPAIRS AND PLUMBING EQUIPMENT FOR OCCUPIED UNITS
BY RACE, FOR THE UNITED STATES (URBAN)

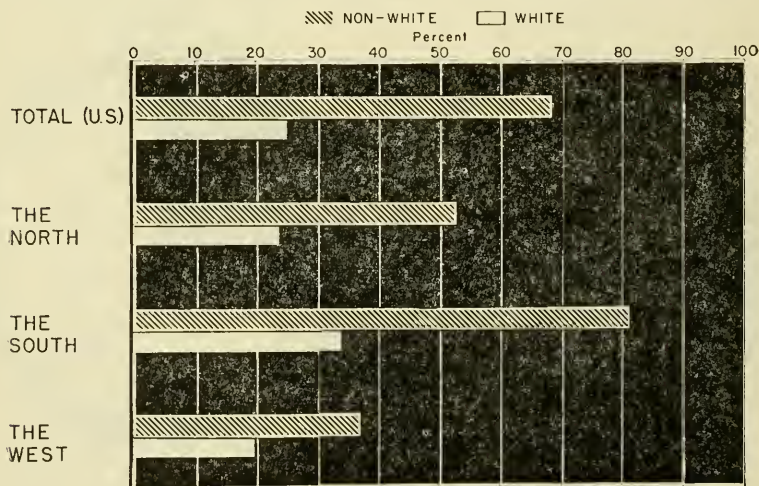


PERCENT OF OCCUPIED DWELLING UNITS NEEDING MAJOR REPAIR OR WITH PLUMBING DEFICIENCIES, BY RACE



SOURCE SIXTEENTH CENSUS OF THE U.S., 1940, HOUSING

PERCENT OCCUPIED UNITS NEEDING MAJOR REPAIRS OR WITH PLUMBING DEFICIENCIES FOR THE U. S. (URBAN), BY RACE



SOURCE SIXTEENTH CENSUS OF THE U.S., 1940, HOUSING

In addition to overcrowding in substandard structures, the neighborhoods predominantly occupied by Negroes are also highly congested. In Baltimore, Negroes comprise 20 percent of the population and are crammed into 2 percent of the residential space.

It is reported by the Chicago Housing Authority that on the Chicago South Side, more than 250,000 persons are living in properties designed to accommodate fewer than 150,000. In the second and third wards, occupied almost wholly by Negroes, the population density is 90,000 per square mile. That is according to the Chicago Housing Authority.

Similar land crowding can be repeated for New York, Pittsburgh, Washington, and cities with a large Negro population.

For all urban localities, 32 percent of all white tenants and 71 percent of the nonwhite paid monthly rents below \$20 a month; 46 percent whites and 81 percent nonwhites below \$30. In other words in the cities, 6 out of every 10 white families and almost 9 out of every 10 nonwhite families were paying monthly rates below \$30 a month. In the same cities, less than 7 percent white and over 40 percent nonwhite were owner-occupied valued below \$1,000; 21 percent white and 68 percent nonwhite below \$2,000; 39 percent white and 82 percent nonwhite, below \$3,000.

Against these conditions of housing, supply must be viewed along with the income distribution of Negroes. Of 35,000,000 families reporting incomes for 1939, 54 percent of the white and 85 percent of the nonwhite had incomes below \$1,000. This is the over-all figure. Rural and urban.

Sixty-eight percent of the white and 93 percent of the nonwhite below \$1,500; 79 percent of white and 96 percent of the nonwhite below \$2,000. The median annual income for families with only wages and salary was \$1,409 per white and \$531 for nonwhite. For families which had other incomes, \$1,133 for white and \$429 for nonwhite. Forty-nine percent of white urban dwellers had annual incomes below \$1,000; 68 percent below \$1,400, and 84 percent below \$2,000.

Corresponding percentages for nonwhites were 87 percent, 95 percent, and 97 percent. The median annual income for urban white with only wages and salary were \$1,064, and for nonwhite \$457; for urban individuals with other income the medians were \$1,102 for white and \$390 for nonwhite.

All informed observers agree that nonwhite consistently pay a larger part of their lower income for housing than do whites.

Senator TAFT. When they have the same income?

Mr. JOHNSON. When they have the same income, yes, sir; that is right.

Senator BUCK. And get less for it?

Mr. JOHNSON. And get less for it, that is right.

Our next consideration is the effect of racial restrictions.

The racial restrictive covenants and neighborhood agreements serve to confine the masses of Negroes into sharply defined and generally static neighborhoods. This artificial limitation of land area and housing accommodations available to Negroes prevents adequate provision for normal expansion of the population group, creates racial tension and aggravates the overcrowding, congestion, and deterioration of these neighborhoods.

The social and economic costs of these congested and constricted neighborhoods are prohibitive and should not be tolerated. They are the natural breeding ground for disease, delinquency, and crime which blight the lives of the slum dwellers, drain the tax resources of the city and like festering cancerous sores, vitiate the life stream of the entire community. An excerpt from Public Management, July 1944, page 200, cites a pertinent illustration:

Different groups who have lived successfully in slum areas of different cities have been found to develop certain tendencies toward criminal and delinquent behavior as a result of living in such neighborhoods. In Chicago, for example, there is one deteriorated neighborhood which has been occupied by successive waves of immigrants—Irish, Polish, Jews, Italians, Mexicans, and finally Negroes. This neighborhood, no matter which of the groups is currently living in it, always produces a great deal of organized crime and gang activities.

Added evidence that this is essentially an economic rather than a racial question is supplied by the fact that in these same localities where Negroes are the predominant slum dwellers, there are growing numbers of Negroes, either scattered in other areas of the locality or living in neighborhoods whose homes show all the care and beauty which reflect their economic and cultural level. It is essential that the objective should be the removal of the conditions which foster the spread of these slums and the encouragement of the forces which enlarge the number of dwellings and neighborhoods of which Negroes and whites and, indeed, the entire city are justly proud.

There is a notation here that according to the Chicago Housing Authority, restrictive agreements have increased in the past few years and at the present time 80 percent of the city of Chicago is covered by such covenants.

The National Association of Real Estate Boards has recently evinced new interest in this growing and profitable market. This interest should be encouraged and supplemented when necessary to the end that all Americans regardless of race, or creed or national origin may live in a decent home. As the supply of decent housing, well adjusted to the size and income of the families, increases, the racial opposition and tensions arising out of competition for too few homes will tend to disappear.

One of the more serious consequences of these racial restrictions is that they compel the Negro to bid in a discriminated housing market. Property management in this market has little stimulation toward adequate maintenance because the demand for any type of dwelling available to Negroes exceeds the supply and competitive maintenance is not necessary to hold their tenant market. The Negro is therefore forced into blighted areas which bottle him up so that when he breaks out, it is often into high-rent areas beyond his usual economic capacity to keep in adequate repair.

With their housing supply artificially restricted while whites have full access to the open housing market, Negroes receive proportionately less housing value for the same prices than do white. This fact was statistically demonstrated in an analysis of the 1940 census data for 14 northern and western cities and 26 southern metropolitan districts on the relationship between condition of dwelling and rentals by race. This data reveals that at every rental level and in all sections of the country whether owner or tenant, the Negro suffers a definite disadvantage in his effort to get decent housing, solely because

of his race. This means that the group getting the lower income not only pays a larger part of it for shelter, but receives less value for his housing dollar.

The most recent and constructive analysis of the impact of racial covenants on the total housing problem appears in an article by Robert C. Weaver Entitled "Race Restrictive Housing Covenants" in the August 1944 issue of the *Journal of Land and Public Utility Economics*. The writer reveals those covenants have failed to achieve their purpose of maintaining property values and instead have aggravated the total housing problem. He suggests the substitution of income and occupancy standards for racial covenants. We quote as follows:

If, instead of restrictions on account of race, creed, and color, there were agreements binding property owners not to sell or lease except to single families, barring excessive roomers, and otherwise dealing with the type of occupancy, properties would be better protected during both white and Negro occupancy. This would afford an opportunity for the Negro who has the means and the urge to live in a desirable neighborhood and it would protect the "integrity of the neighborhood." It would also prevent, or at least lessen, the exodus of all whites upon the entrance of a few Negroes. But it would do more; it would become an important factor in removing racial covenants in other improved and vacant areas.

Such action would permit areas open to Negro occupancy to expand more normally. It would provide more space and housing units for colored people. This, in turn, would lessen the pressure upon other, ill-adapted—from the economic point of view—neighborhoods, permit selective in-migration of Negroes into such areas, and reinforce the type of protection mentioned above.

The only permanent protection to values in the better-class neighborhoods contiguous to present Negro occupancy is to secure adequate space and housing for the colored population elsewhere. If, as has been said before, this housing is well located and well designed, it will be more desirable to low-income Negro families than are the existing structures in the high-rent neighborhoods. Were such facilities available, the demand of Negroes for high-rent houses in neighborhoods near the Black Belt would be small. Those who sought such houses would, as in the case of earlier in-migrant groups, be largely persons of comparable or higher cultural and economic status than the present inhabitants. The infiltration of such people, if properly timed and understood, would not lead to mass exodus of present white occupants. It would not occasion physical decay; it would not lead to a decline in property values.

I am leaving a copy of that article for the information of the committee.

To this point we have largely used the 1940 housing census to reveal the housing and income status of Negroes in the United States. However, during the past 4 years extensive internal migrations of some 750,000 Negroes have served to intensify these housing conditions in the principal industrial localities. The impact of this war migration was greatest on the nonwhite population. First they were already living under more congested and deteriorated housing conditions; second, they were late in securing war jobs and hence late in becoming eligible for new war housing. Even when they became eligible it was more difficult for them to get housing. Approximately 250,000 Negroes are among the more than 2,000,000 who have migrated to the west coast. In that area alone, temporary war housing has been almost the sole source of shelter for Negro war workers. They have moved into many of the houses that were slums when the Japanese occupied them. "Jap town" in San Francisco now has many hundreds of Negro residents and "Little Tokyo" in Los Angeles formerly housed 7,500 Japanese, is reported by the housing committee

of the Council of Social Agencies of that city to have at one time housed 30,000 Negroes. Vancouver, Wash. had a mere handful of Negro families before 1942, and now has some 7,500 living exclusively in war housing. A large percentage of these in-migrants expect to remain, hence a serious need for housing available for Negro occupancy.

As far as income is concerned, while war employment has raised the general level, the income of Negroes has not increased proportionately because of their general restriction to the lower-paid and unskilled and semiskilled jobs.

Because of seniority regulations and the fact that his employment gains have been in aircraft, shipbuilding, and ordnance—industries that may receive the quickest and deepest cut-backs, the Negroes will suffer disproportionately in the lay-off period.

At this point in our testimony I want to call to your attention that all of the foregoing in regard to Negroes in housing is existent here in Washington, D. C. Extensive testimony was filed before a special subcommittee of the Senate on local housing April 1944. I quote the following from the testimony of our Washington representative.

Mr. Nolan indicated in his testimony that practically all of the 66,000 units constructed during the past 3 years in the metropolitan area were located in the outlying portions of the city with some 33,000 or half of them in nearby Maryland and Virginia. It is a known fact that little of the new construction either outside or within the District has been for Negro occupancy. Even more important, however, through this same period, the areas for occupancy for Negroes within the District have remained substantially unchanged.

It may thus be said that despite the virtual doubling of Negro population in the District, no provision has been made for the expansion of areas of living for this racial group. It is, moreover, our conviction that, if anything, the areas available for occupancy by Negroes within the District of Columbia have decreased during this period, as a result of demolition incident to the construction of public buildings and public roads and the conversion of acreage formerly occupied by Negroes to white occupancy.

I might add, Mr. Chairman, that the roads to the Pentagon Building under construction in that area on the Virginia side are examples of that, where there was extensive housing that was done away with and these people crowded into other areas that were already crowded.

The main reason why Negroes have not moved from these congested areas into more adequate neighborhoods is the widespread use of covenants, agreements, and neighborhood resistance to the occupancy of Negroes of undeveloped and developed areas. The effect of these restrictions has been to limit artificially the housing market for Negroes and cause them to pay higher prices for the same or less value and service. This feature makes the housing problem of Negroes distinctive from that of any other racial group.

It is important to understand why a condition constituting a public nuisance and financial drain on the city has persisted and increased despite health and building regulations.

In the tight housing market for Negroes and in view of the shortage of homes for low-income groups generally, slum properties are profitable. Owners of slum property often, being absentee, hold their investment until the future use is determined. Meanwhile, the rents charged low-income families who cannot find more pleasant and sanitary shelter constitute a steady source of income. Because of the restricted market, tenants are unable to demand repair, maintenance, or upkeep, and thus the incomes from the properties usually increase. The encroachment of commercial developments into these same neighborhoods contribute to blight, but, more important, increase the speculative value of slum property to the point where public agencies responsible for slum clearance and private builders interested in rehabilitation are confronted with prohibitive sale prices.

I have here, Mr. Chairman, a copy of a case before the United States Court of Appeals in the District of Columbia.

In the dissenting opinion of Judge Edgerton, he makes this point in regard to this case, which had to do with covenants and property values:

There is ample testimony to the effect and there is no dispute about it. Real-estate dealers testified that the houses in this block are worth about \$7,500 for sale to white purchasers and about \$10,000 for sale to colored purchasers. Appellants' house had been vacant for some time, and a white person had offered \$7,500 for it, when appellant Mays bought it for \$9,950. Performance of the restrictive agreement, instead of maintaining the value of the property in the 2200 block, will actually depress it. The court should not enforce the agreement and defeat its most obvious purpose.

Senator TAFT. Did that case go on to the Supreme Court of the United States?

Mr. JOHNSON. I understand there is an appeal to the Supreme Court from the court of appeals decision.

It would seem to be unsound policy for a court, in the exercise of its equitable discretion, to enforce a privately adopted segregation plan which would be unconstitutional if it were adopted by a legislature. Moreover, the Supreme Court has recently said that "discriminations based on race alone are obviously irrelevant and invidious."

There is another part which I will quote later on.

From this array of facts can be drawn three important conclusions:

1. A disproportionate number of Negroes have incomes too low to pay for the full cost of standard housing.
2. There is an increasing number of Negroes in the upper and middle income groups that are not adequately served by private enterprise that can afford to pay the cost of standard housing.
3. There is insufficient land area available to accommodate the housing needs of Negroes.

To meet the housing needs of Negroes, therefore, as part of a total housing program, it is necessary to provide adequate land area and additional housing accommodations at rates they can pay.

In conclusion I wish to submit to you as recommendations, the report of housing recommendations made by the National Urban League at its thirty-fourth annual conference held at Columbus, Ohio, September 28 to October 3, 1944, which are as follows:

This obviously is a job for both Federal and private housing. The conference, therefore, recommends the following legislative action and program policy that it feels is necessary to its proper solution:

The enactment of Federal legislation establishing a national housing agency responsible for national housing policy, and the coordination of Government resources to assist private and public agencies in providing adequate housing for all people of middle and low income levels.

Appropriation by Congress of adequate Federal funds to be made available under the United States Housing Act of 1937, as amended, to assist local communities to provide decent housing for low-income families whose housing needs cannot be met by private enterprise without subsidy.

The adoption of Federal and State urban redevelopment laws that will achieve the following:

"Provide the right of eminent domain where necessary to assemble land for development or redevelopment; but remove all racial restrictions from land acquired under eminent domain or redevelopment laws;

"Assemble adequate parcels of land to make possible the development of large-scale coordinated housing programs by public and private enterprise;

"Provide adequate housing for people displaced by slum clearance of redevelopment programs."

While the conference approves the acquisition of land for public and private housing through the exercise of eminent domain, we are unalterably opposed to the delegation of this public right to any private individual or concern.

The conference is further opposed to current proposals made by private interests demanding that rent subsidies for public housing be channeled to private real estate and financial institutions through local relief or other public assistance machinery. Instead, we insist that such rent subsidies be administered by local public housing agencies.

The insertion of a general nondiscrimination clause in the National Housing Act, the United States Housing Act of 1937, and any subsequent Federal housing or urban redevelopment legislation.

In addition to these legislative steps, the following items of policy are recommended for action by Federal agencies:

1. Whenever Federal assistance of any form is involved in housing development, it is the responsibility of the Federal agency to see that benefits are made available equitably to all economic and racial groups based on need.

2. In order that the additional areas necessary for the normal and orderly expansion of the Negro population be made available for occupancy:

- (a) The Federal Housing Administration must withdraw all orders, manuals, or policy provisions which condition approval of mortgage insurance upon racial restrictive covenants and agreements.

At that point I want to read into the record an excerpt from a report prepared by Dr. Gunnar Myrdal, a social scientist brought to this country by the Carnegie Foundation to study the relationship of Negroes in this country. I might add that Dr. Myrdal had never been in this country before, and had never had any contact with the matters he studied.

Particularly significant is the fact that, year by year, it has been possible to reach deeper down into lower economic strata. In spite of that, less than 30 percent of the main category of new borrowers on one-family homes in 1940 had incomes under \$2,000 and but 5 percent had less than \$1,500.

Under such circumstances, it is apparent that Negroes cannot have had any great benefit from the Federal Housing Administration, nor, for that matter, from any of the other Federal credit agencies, which are organized on the basis of so-called ordinary business principles.

The failure of the Federal Housing Administration to help the Negroes goes even further than can be explained on the basis of their low income. This Federal agency has taken over the policy of segregation used by private institutions, like banks, mortgage companies, building and loan associations, real-estate companies. When it comes to developing new subdivisions, the Federal Housing Administration is obviously interested in getting such a lay-out that property values can be maintained. Private operators, in order to secure Federal Housing Administration backing, usually follow the advice of the agency. One of the points which property valuers of the Federal Housing Administration are specifically urged to consider is whether the area or property to be insured is protected from adverse influences.

This, in the official language of the agency "includes prevention of the infiltration of business and industrial uses, lower class occupancy, and inharmonious racial groups"

Senator TAFT. Is that a regulation for the F. H. A.?

Mr. JOHNSON. That is in the F. H. A. manual:

In the case of undeveloped and sparsely developed areas, the agency lets its valuers consider whether * * * effective restrictive covenants are recorded against the entire tract, since these provide the surest protection against undesirable encroachment and inharmonious use. To be most effective deed restrictions should be imposed upon all land in the immediate environment of the subject location.

And, I quote further from this report:

The restrictions, among other things, should include "prohibition of the occupancy of properties except by the race for which they are intended."

This matter is a serious one for the Negro. It is one thing when private tenants, property owners, and financial institutions maintain and extend patterns of racial segregation in housing. It is quite another matter when a Federal agency chooses to side with the segregationists. This fact is particularly harmful since the Federal Housing Administration has become the outstanding leader in the planning of new housing. It seems probable that the Federal Housing Administration has brought about a greatly increased use of all sorts of restrictive covenants and deed restrictions, which are the most reliable means of keeping Negroes confined to their ghettos * * *

The urban Negro population is bound to increase. The present Negro ghettos will not suffice. The Negro will invade new urban territories. Unless these changes are properly planned, they will occur in the same haphazard and friction-causing manner with which we have been only too well acquainted in the past.

I want to add to that a concurring opinion by Mr. Justice Murphy in the case of *Steele v. Louisville & Nashville Railroad Company*, December 18, 1944. This opinion was used by the dissenting judge in the previous case I referred to.

Senator CHAVEZ. He concurred with the dissenting judge?

Mr. JOHNSON. He concurred in the opinion of the Supreme Court, but the dissenting judge in this case, used his opinion.

Senator CHAVEZ. What does Justice Murphy concur with?

Mr. JOHNSON. With the majority opinion of the Supreme Court in this railroad case, but the dissenting judge in the court of appeals case used his opinion in this case.

The court of appeals voices its disapproval whenever economic discrimination is applied under authority of law against any race, creed, or color.

Lastly, the Federal Public Housing Authority or other public housing agencies must desist from making commitments to local neighborhood or community groups which restrict the occupancy of public housing projects to specific racial groups in areas where other public facilities such as schools, playgrounds, parks, transportation facilities, and so forth, are used by all racial groups on an unsegregated basis.

Senator TAFT. We are very much obliged to you, Mr. Johnson. You have presented an aspect that has not been covered by other testimony—and added to our problems.

The hearing will recess until 10:30 tomorrow morning when Mr. Eric Johnston and Mr. Morton Bodfish will testify.

(Whereupon, at 4:15 p. m., the hearing was adjourned until tomorrow morning, February 7, 1945, at 10:30 o'clock.)



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